Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2005

State of Arizona

Prepared by:

Arizona Department of Administration

Financial Services Division

General Accounting Office

A Few Facts About Arizona Game and Fish Department

The Arizona Game and Fish Department, under provisions of Arizona Revised Statute 17-231 is responsible for carrying out policy for the management, preservation and harvest of wildlife. This activity is carried out under the supervision of the Game and Fish Director, who also serves as Secretary to the Game and Fish Commission. The Commission consists of five members appointed by the Governor. Commissioners are appointed for staggered five year terms and by statute must meet at least quarterly.

The Department employs approximately 500 permanent employees, within four divisions: Wildlife Management, Special Services, Information and Education and Field Operations.

A brief description of each division follows:

Wildlife Management Division: Responsibility for projects and programs related to wildlife, wildlife habitat, fisheries management, nongame and endangered species, research and enforcement program management.

Special Services Division: Responsibilities include, finance and accounting, information services, special contracts, planning and evaluation, purchase and supply, printing, engineering and development and maintenance of all Department owned equipment and property.

Information and Education Division: Responsibility for informing the public about wildlife, conservation issues and laws regulating harvest of wildlife. This is done through its Information, Education, Publications and Audio-Visual Branches.

Field Operations Division: Responsibility for field wildlife management, such as wildlife surveys, law enforcement, customer service and services provided at six regions located in Pinetop, Flagstaff, Kingman, Yuma, Tucson and Mesa.

The Game and Fish Department does not receive general funds monies. It is primarily supported by the sale of hunting and fishing licenses, permits and tags. Excise tax dollars on sporting arms and ammunition and fishing equipment, which must be matched by the Department, is also a source of funds. Other funding sources include watercraft registration fees, gas taxes, the Nongame Checkoff from state income tax donations and Heritage dollars from the state lottery.

STATE OF ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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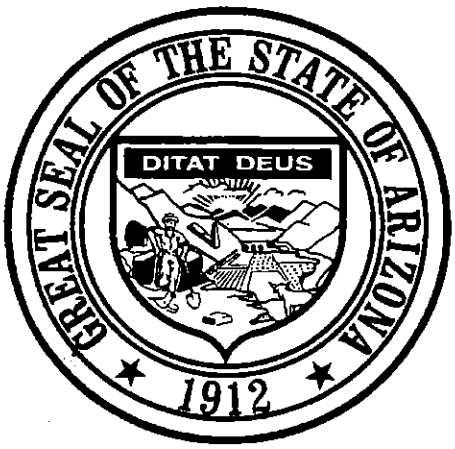
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Introductory Section

Fishing: According to State Law

A Valid Fishing License is required of any person, except residents or non-residents under the age of fourteen years and blind residents, for taking aquatic wildlife from public waters.

An Urban Fishing License, a One Day, or a Pioneer License is required for taking aquatic wildlife from waters designated as urban lakes in Commission Order 40.

Two-pole Stamp validates a Class A, B, C, D, E, F, U, Lifetime or Pioneer license for simultaneous fishing.

Anyone under the age of fourteen years of age, blind residents, pioneer and disabled veteran complimentary, Class D, and resident youth group license holders may take aquatic wildlife from urban waters without an urban fishing license.

No Trout Stamp is required for Class B, C D, E, F, or complimentary licenses to take trout. A trout stamp must be affixed to the back of Class A or Lifetime license to validate it for the taking of trout which includes the definition of "fishing," Arizona Revised Statute 17-101.A7.

Fishing Lines must be constantly attended, and the hook, fly or lure must be used in such a manner that the fish voluntarily attempt to take it in their mouths.

Arizona's Big Game Animals

Individuals wanting to hunt big game in Arizona must apply for a Hunting Permit-tags through the Arizona Game and Fishing Department. They must also have a valid hunting license from the Department. Both the Application for a Hunting Permit-tags and hunting license can be obtained from any of the Arizona Game and Fishing Department offices.

JANE DEE HULL
GOVERNOR

J. ELLIOTT HIBBS
DIRECTOR

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR
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(602) 542-1500

December 12, 2000

The Honorable Jane Dee Hull
Governor of the State of Arizona,
Members of the Legislature, Chief Justice of
the Supreme Court and Citizens and Taxpayers
of the State of Arizona

Ladies and Gentlemen:

In accordance with Section §35-131 of the Arizona Revised Statutes (ARS), it is our pleasure to transmit to you the Comprehensive Annual Financial Report (CAFR) of the State of Arizona for the fiscal year ended June 30, 2000. Responsibility for the accuracy of data, completeness and fairness of presentation, including all disclosures, rests with the State's management. The data presented in this report, to the best of our knowledge and belief, is accurate in all material respects and is reported in a manner which fairly presents the financial position and results of operations of the various funds and account groups of the State. All disclosures needed for the reader to gain a reasonable understanding of the State's financial activities have been included.

The report is presented in three sections: Introductory, Financial and Statistical.

- The **Introductory Section** includes this Letter of Transmittal, Financial Highlights, the State's organizational chart and a list of principal State officials.
- The **Financial Section** begins with the State Auditor General's Independent Auditors' report and contains the General Purpose Financial Statements, Combining Financial Statements by Fund Type and Account Group, and other schedules.
- The **Statistical Section** includes selected financial, economic and demographic data.

FINANCIAL REPORTING ENTITY

The accompanying CAFR includes all funds and account groups of the State of Arizona (primary government), as well as its component units. Component units are legally separate entities for which the primary government is financially accountable.

Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government.

The criteria for inclusion in the reporting entity and its presentation are defined by the Codification of Governmental Accounting and Financial Reporting Standards, issued by the Governmental Accounting Standards Board, (Section 2100). Note 1.B of the Notes to the Financial Statements explains which units are included in the Financial Reporting Entity of the State.

ECONOMIC CONDITION AND OUTLOOK

The following economic summary is excerpted from the Arizona Department of Economic Security's Arizona's Workforce, August 31, 2000.

From just about every perspective, a cursory overview of the Grand Canyon State reveals an economy that continues to look very healthy. Even nationally, for example, most

recent economic figures reveal the state of the nation continues to push forward into the new millenium with great vigor. For both the nation and Arizona, most economic forecasts have suggested a slowdown is coming, but it still seems as though the slowdown is slow to come.

While Arizona's engine of job growth has largely been fueled by the strong growth of people seeking to call Arizona "home", companies have also relocated to or expanded in Arizona for its developing market, geographic proximity to markets such as Mexico and Latin America, and even for its weather attributes. Increased migration to Arizona during the last couple of decades has helped Arizona's economy to diversify far and away from being just a Winter-haven for the "snowbirds" to becoming a place where many of those earlier visitors now call home. No longer just a vacation paradise in the sun, Arizona has become one of the fastest job growth states this year. According to national figures for July 2000, Arizona was the fastest growing state in the nation, as it was in May and June.

Arizona's Department of Economic Security, Research Administration (RA) two-year forecast update shows Arizona's economy is expected to grow by 166,400 jobs. RA has revised slightly upward its forecast rate of growth for 2000, from 3.9 percent to 4.1 percent. The growth rate figure for 2001 was also slightly revised, though downward from 3.6 percent to 3.5 percent. RA continues to see a great deal of vitality in Arizona's economy as evidenced by the employment figures.

RA's forecast shows Arizona's construction jobs growing throughout the next two years. RA expects the industry to experience job growth, but slowing from 7.5 percent in 1999 to 2.4 percent in 2000 and to 1.5 percent in 2001. Much of the slowdown is expected in the general and heavy construction sectors, while job increases are expected in special trades.

Arizona's manufacturing industry is forecast to grow by 4,000 jobs in 2000 and by nearly 3,500 in 2001. Much of the job growth in manufacturing continues to be due to demand for electronic and computer related equipment.

Arizona's economy has continued to support much of this related production. As well, Arizona is geographically and economically well positioned to support continued demand from its export trading partners. Arizona Department of Commerce figures on export trade clearly shows Mexico, in particular, as a long-standing trading partner of Arizona. Recent figures for second quarter 2000 show trade with Mexico amounted to nearly $2.3 billion, representing an increase of nearly 15 percent over the second quarter of 1999.

It's not surprising to point out that Arizona's services industry is expected to continue growing. After growing more than 8 percent in 1999, projected growth rates for 2000 and 2001 are, respectively, a slower 6.6 percent and 5.2 percent. While slowing, the industry is still expected to add more than 82,000 jobs during the two-year period.

All the remaining major industries are forecasted to experience positive job growth except, once again, for mining. Most job growth rates will be in the 3 to 5 percent range. Mining is forecast to be the only major industry incurring a loss of jobs. RA forecasts the industry employment levels will shrink further over the two-year period, from 11,500 in 1999 to 9,800 in 2001.

Arizona's economy continues to look every bit as vibrant throughout the forecast horizon. This is especially evident when comparing employment growth across the nation. Clearly, job growth in every state has shown a relative slowing when compared to recent earlier years. What is also clear is that growth continues to push through most sectors of the economy, in that a wide variety of jobs are still being created nationwide. While growth is something most states are enjoying, it brings with it some serious pressures too. Arizona's fast-growing communities, like many others throughout the nation, are clearly wrestling with the issues and concerns arising out of such growth. RA is nevertheless confident that while the "slowing" may seem slow to come, evidence of its arrival is surfacing. It is just not going to come too fast.

MAJOR INITIATIVES

Tax Policy. The final phase of the Tax Relief and Fiscal Control Act of 1999 continues the Governor's commitment to reduce the tax burden and to stimulate the economy. The vehicle license tax (VLT) contribution to the General Fund, approximately $50 million, has been eliminated and the beneficiaries of the VLT have been held harmless. The act also reduced the corporate tax rate from 8% to 7%, eliminated the research and development tax credit cap, and appropriated additional funding to increase the K-12 support level. With the revisions passed in the 44th Legislature, 2nd Regular Session, the act is expected to have a $64 million General Fund impact.

In 1999, the Legislature and Governor passed a law that would make purchasing an alternative fuel vehicle less costly. In 2000, the law was changed to make the incentive more attractive. The fiscal impact was expected to be minimal (around $3 million), but several unexpected changes in the type of qualifying vehicles had the effect of greatly exceeding the expected cost of the program to approximately $500 million. Recently, the Legislature passed a partial repeal of the program to limit the impact on the state budget. The estimated cost of the new legislation is approximately $200 million.

Health and Welfare. Governor Hull is committed to improving accessibility to health care, including expanding eligibility for services and infrastructure improvements. The first stages of the $80 million Arizona State Hospital construction have begun, and significant infrastructure improvements have been achieved. The architecture,

engineering and construction team for adolescent and adult civil facilities has been selected.

The availability of Tobacco Settlement funds allows Arizona to expand services to low-income uninsured individuals. In fiscal year 2001, $50 million of additional funding was appropriated for persons with serious mental illness who are not Title XIX eligible, and $20 million was appropriated for behavioral health services for children. This funding, totaling $70 million will be expended over several years.

Voter passage of Proposition 204 expands eligibility for the Arizona Health Care Cost Containment System program to 100% of the Federal Poverty Level using Tobacco Settlement funds. The Governor is currently negotiating with the Federal Health Care Finance Administration to secure a waiver that would provide a Federal match of 65% to serve this population. Federal participation maximizes the availability of state funds to reduce the uninsured population.

Education. Governor Hull's commitment to Arizona's children and quality public education has remained a high priority. The fiscal year 2001 adopted state budget demonstrates this renewed belief by providing K-12 schools an additional $222.9 million in new funding.

The total increase includes $36.3 million in supplemental formula funding for fiscal year 2000. Additional funding for fiscal year 2001 includes $37.2 million as a set-aside for a potential supplemental, $15.6 million in additional maintenance and operation (M&O) spending, $1.2 million for direct support for educational programs in the schools and $132.5 million to meet the capital requirements for district schools.

Currently, 40% of the State's General Fund resources are dedicated to K-12 education, however, with the passage of Education 2000 in November 2000, public schools can be assured of further M&O financial assistance in the future. In addition, the initiative authorized the School Facilities Board to issue up to $800 million in revenue bonds to address the Deficiencies Corrections program as required by Students FIRST.

With respect to higher education, Arizona's University system continues to provide the State with high quality postsecondary education at an extremely reasonable cost to students. Undergraduate tuition rates at our universities are currently tied for 49th out of the 50 senior public institutions in the United States.

The adopted budget includes over $22.8 million in additional funding for the University system during the biennium, which will ensure the maintenance of quality and access to higher education for Arizona citizens. Furthermore, this increase will help to ensure low tuition rates for students, as required in the Arizona Constitution. In addition to university funding, the adopted budget includes an increase of over $4.8 million for the State's community college system.

Public Safety. The mission of to "Protect and Serve" is a commitment made throughout the Executive Budget to ensure that government will have the resources necessary to provide for the safety of the citizens of Arizona.

Juvenile Detention Center expansions were constructed or planned in every county during fiscal year 2000. The number of beds will increase by 78 percent, from 627 to 1,114. The increased capacity will provide the opportunity for better services for the juveniles, at a location closer to their homes than was previously possible.

The rate of growth of the inmate population at the Department of Corrections slowed during the second half of fiscal year 1999 and all of fiscal year 2000. This was the first period of significant slowing in the last ten years. The growth rate in fiscal year 1998 was 150 inmates per month. It fell to only 19 per month in fiscal year 2000. A slower prison-population growth allows the State to be more deliberate in its planning for new prison facilities and its oversight of prison operations.

Additionally, the State has committed to DNA testing of all felons convicted after January 2001 of homicide and burglary and convicted after January 2002 of offenses involving a deadly weapon or the infliction of serious physical injury.

Outside the criminal justice arena, the State has embarked on damage reconstruction in Bisbee and along the Santa Cruz River to repair damage caused by floodwaters during the summer of 1999. The aim of the construction, in cooperation with the U. S. Army Corps of Engineers, is to not only replace what was destroyed, but to help prevent similar damage in the future.

Transportation. At its June 21, 1999, meeting the State Transportation Board approved the 5-Year Highway Construction Program. The Board is statutorily charged to oversee the Arizona Department of Transportation's (ADOT) highway construction program. The Board approved $1.2 billion in fiscal year 2001, a net increase of $119 million or 11.4% over fiscal year 2000.

Laws 1999, Chapter 189, established the Highway Expansion and Extension Loan Program Fund in the ADOT to expedite the construction of roadway projects that have been approved by the ADOT Board or another regional transportation authority. The Fund's capitalization was increased to $180 million to include appropriations from the General Fund of $60 million in fiscal year 2001 through fiscal year 2003, $20 million from the State Highway Fund, and $100 million in Funding Obligations from the State Transportation Board.

With respect to improving business processes and customer service, in the fiscal year 2000-2001 biennium, the Legislature approved over $6 million and 185 full-time positions to improve customer services at the Motor Vehicle Division of ADOT. The approved funding was intended to

reduce the statewide customer wait-time average in field offices, and improve mail and telephone customer response times. Sustaining these business improvement processes, Laws 2000, Chapter 274 provided an additional appropriation of $2.8 million. The funding was focused to allow real-time verification with the Social Security Administration of records provided by driver's license or ID card applicants, prevent errors and frauds, strengthen internal financial controls and enhance accountability.

SERVICES PROVIDED BY THE STATE

The services provided by the State are administered through various agencies, departments, boards, commissions and institutions of higher learning. These services include: (1) General Government, (2) Health and Welfare, (3) Inspection and Regulation, (4) Education, (5) Protection and Safety, (6) Transportation and (7) Natural Resources.

Table 1 **GENERAL GOVERNMENTAL REVENUES**
(Expressed in Thousands)

Revenue Source	Amount	Percent of Total	Increase / (Decrease) From 1999 Amount	Percent
Sales Taxes	$ 3,854,075	29.0%	$ 345,749	9.9%
Income Taxes	2,820,039	21.2	171,798	6.5
Motor Vehicle and Fuel Taxes	1,360,117	10.2	(51,935)	(3.7)
Property Taxes	50,490	0.4	(2,295)	(4.3)
Intergovernmental Revenues	3,976,019	29.9	219,290	5.8
Licenses, Fees and Permits	198,951	1.5	15,134	8.2
Earnings on Investments	167,754	1.3	22,357	15.4
Other Taxes and Revenues	875,348	6.5	125,369	16.7
Total	$13,302,793	100.0%	$ 845,467	6.8%

GENERAL GOVERNMENTAL FUNCTIONS

General Governmental activities are accounted for in four Governmental Fund types: (1) General Fund, (2) Special Revenue Funds, (3) Debt Service Funds and (4) Capital Project Funds.

General Governmental revenues totaled $13.30 billion for the fiscal year ended June 30, 2000, an increase of 6.8% over 1999.

Taxes, the single largest source of general governmental revenue, produced 64% of general governmental revenue. The amount of revenues from various sources and changes from last year are shown in Table 1.

The total revenue increase of $845.5 million or 6.8% was the result of several factors.

The 9.9% increase in Sales Taxes reflects the continuing consumer confidence in the economy.

The 6.5% increase in Income Taxes reflects the continued in-migration from other states and the increase in higher income filers.

The 3.7% decrease in Motor Vehicle and Fuel Taxes resulted from the reduction in vehicle license tax that was enacted by the Legislature.

The 4.3% decrease in Property Taxes resulted from a reduction in property tax collections in the General Fund.

The 5.8% increase in Intergovernmental Revenues resulted from the increase in Federal funding for health and welfare programs.

The 8.2% increase in Licenses, Fees and Permits resulted from the increase in license, fees and permit activity related to all types of governmental operations.

The 15.4% increase in Earnings on Investments was the result of increased operating cash balances.

The 16.7% increase in Other Taxes and Revenues resulted primarily from the collection of the State's share of the tobacco settlement payment.

General Governmental expenditures totaled $12.51 billion for the fiscal year ended June 30, 2000, an increase of 7.5% over 1999. State Government expenditures and the changes from last year are shown in Table 2.

The total expenditures increase of $867.6 million or 7.5% was the result of the factors described below.

The 9.1% increase in General Government expenditures resulted primarily from the increase in the cost of operating State government and the increase in intergovernmental revenue sharing. These amounts are recorded as General Government expenditures on the State's financial statements.

Table 2 **GENERAL GOVERNMENTAL EXPENDITURES**
(Expressed in Thousands)

Expenditure Function	Amount	Percent of Total	Increase / (Decrease) From 1999 Amount	Percent
General Government	$ 1,500,486	12.0%	$ 125,118	9.1%
Health and Welfare	4,365,005	34.9	239,224	5.8
Inspection and Regulation	112,950	0.9	8,125	7.8
Education	3,186,486	25.5	359,338	12.7
Protection and Safety	844,454	6.7	68,974	8.9
Transportation	1,811,957	14.5	63,475	3.6
Natural Resources	99,574	0.8	6,475	7.0
Capital Outlay	301,750	2.4	(17,384)	(5.4)
Debt Service	283,722	2.3	14,265	5.3
Total	$ 12,506,384	100.0%	$ 867,610	7.5%

The 5.8% increase in Health and Welfare expenditures resulted primarily from an increase in expenditures related to the Arizona Department of Economic Security and the Arizona Health Care Cost Containment System programs. In addition, there was an increase in the expenditures related to the Tobacco Tax funded programs.

The 7.8% increase in Inspection and Regulation expenditures resulted from the continued growth in providing inspection and regulatory services.

The 12.7% increase in Education expenditures resulted from additional funding for increased student growth and increased Basic State Aid to public and charter schools. The increase also includes an additional $125 million sent to the counties for new school facilities and the rehabilitation of existing school facilities over the prior fiscal year.

The 8.9% increase in Protection and Safety expenditures resulted primarily from the opening of additional adult prison beds at the Lewis Complex correctional facility and the implementation of a new Correctional Officer pay plan.

The 3.6% increase in Transportation expenditures resulted from the increases in expenditures related to highway construction and an increase in intergovernmental revenue sharing. These amounts are recorded as Transportation expenditures on the State's financial statements.

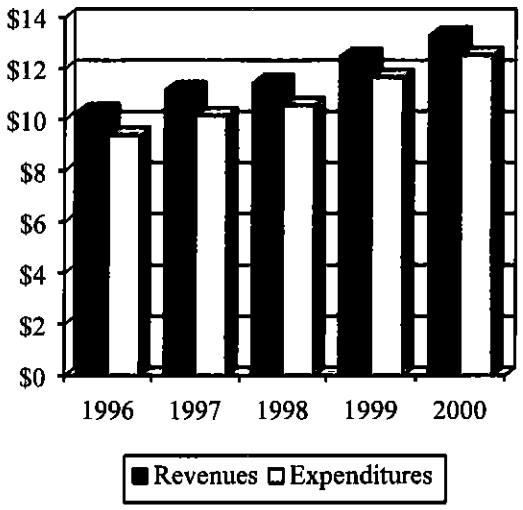
The 7.0% increase in Natural Resources expenditures resulted primarily from increased funding for parks and recreation services.

The 5.4% decrease in Capital Outlay expenditures resulted primarily from the completion of the Lewis Complex correctional facility.

The 5.3% increase in Debt Service expenditures resulted primarily from the increase in principal payments for revenue bonds used for construction of highways inside of Maricopa County.

Graph 1 details the General Governmental Revenues and Expenditures for the last five fiscal years:

Graph 1
General Governmental Revenues and Expenditures
for last 5 fiscal years
(Dollars in billions)

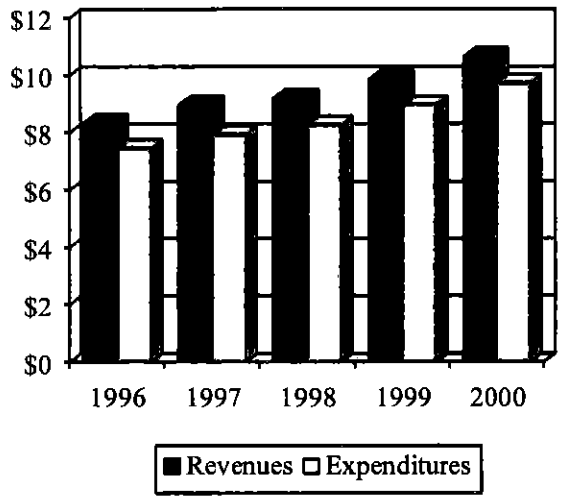


GENERAL FUND BALANCE

Graph 2 details the General Fund Revenues and Expenditures for the last five fiscal years. This graph does not include operating transfer amounts relating to other fund types and other financing sources (uses), which affect the ending fund balance.

Graph 2

General Fund Revenues and Expenditures
for last 5 fiscal years
(Dollars in billions)

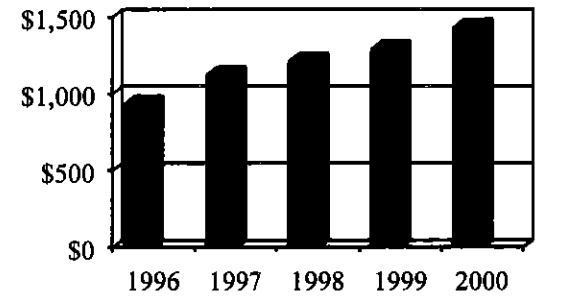


The General Fund ended the June 30, 2000, fiscal year with $952.9 million in unreserved fund balance and a $482.1 million reserved fund balance for a total fund balance of $1.435 billion. This compares to the previous year total fund balance of $1.291 billion. Included in the $482.1 million reserved fund balance is $407.8 million for the Budget Stabilization Fund. The Budget Stabilization Fund is a form of "Rainy Day Fund" established by the Legislature in 1991.

Graph 3 details the General Fund Balance for the last five fiscal years:

Graph 3

General Fund Balance for last 5 fiscal years
(Dollars in millions)



BUDGETARY CONTROLS

Budgetary control is maintained through legislative appropriation and the executive branch allotment process. The Governor is required to submit an annual budget to the Legislature. The budget is legally required to be adopted through passage of appropriation bills by the Legislature and approval by the Governor. The appropriated funds are controlled by the executive branch through an allotment process. This process allocates the appropriation into quarterly allotments by legal appropriation level. The State also maintains an encumbrance accounting system to further enhance budgetary control. Encumbered amounts generally lapse as of the end of the fiscal year, with the exception of capital outlay items. Capital outlay appropriations and their encumbrances continue from year to year.

The State's budgetary policies and procedures, fund accounting structure and basis of accounting are explained in detail in Note 1. of the Notes to the Financial Statements.

INTERNAL CONTROLS

The State is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the State are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. In the opinion of management, the State's internal controls are adequate to provide reasonable assurance that these objectives are met.

CASH MANAGEMENT

The responsibility for cash management of the State is shared by the Office of the Treasurer (Treasurer) and the General Accounting Office of the Department of Administration, Financial Services Division (GAO). The Treasurer is responsible for the depository, custodial and investment functions of cash. The GAO is responsible for drawing down monies available for State functions and the expenditure or disbursement of those monies.

The State requires that Treasurer's deposits and investments with financial institutions be entirely covered by Federal depository insurance or alternatively collateralized with surety equal to 102% of the deposit or investment. Component units may have collateralization policies that differ from those of the Treasurer.

The Legislature has passed statutes authorizing State investments. Note 3.A. in the Notes to the Financial Statements describes the types of investments made by the State.

The Treasurer deposits receipts in accordance with applicable statutes and invests excess cash of the General Fund and various other funds. All interest, not otherwise apportioned by law, is deposited in the General Fund. Investment earnings for the General Fund totaled $107.6 million for the fiscal year ended June 30, 2000.

PROPRIETARY OPERATIONS

The State's Enterprise Funds are comprised of governmental and quasi-governmental agencies that provide goods and services to the public on a fee for service basis. One of the largest Enterprise Funds is the Lottery Fund. The Lottery Fund generated $256.8 million of operating revenues and $45.2 million of income before transfers for fiscal year 2000. The Enterprise Funds ended fiscal year 2000 with a combined equity of $141.8 million for the Primary Government and $509.7 million for the Component Units. This includes the State Compensation Fund's Policyholders' Surplus of $405.2 million reported this fiscal year on the GAAP basis.

The State has Internal Service Funds which provide a variety of services to State agencies. These include risk management, computer services, telecommunications, transportation services, printing services and other services. The operating revenues for the Internal Service Funds were $150.8 million for fiscal year 2000.

TRUST AND AGENCY FUNDS

Trust and Agency Funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations and other governments, including the four State Retirement Systems. The Trust and Agency Funds for the Primary Government reported a year-end equity of $35.54 billion as compared to the previous year end of $33.13 billion. See Note 7. in the Notes to the Financial Statements for more information on the four State Retirement Systems. The Fiduciary Fund Type Component Unit reported a year-end equity of $151.9 million.

DEBT ADMINISTRATION

The Arizona Constitution, under Article 9 Section 5, provides that the State may contract debts not to exceed $350,000. This provision has been interpreted to restrict the State from pledging its credit as a sole payment for debts incurred for the operation of State government. As a result, the State, including the Enterprise Funds and the University Funds, finances most of its major capital needs by lease purchase transactions and by issuing revenue bonds. Lease purchase transactions are funded by Certificates of Participation (COPs). Revenue bonds are associated with specific State functions and are funded by dedicated revenue sources.

The State first issued COPs in 1984 to acquire and construct a building for the Industrial Commission. Since that time, additional issues have been transacted for the construction and purchase of buildings and other structures, as well as telecommunication systems for two of the Universities. The State issued COPs during fiscal year 1992 which provide for the sale and leaseback of prison facilities in Florence, Arizona. The proceeds were used to reimburse the General Fund for the expenditures incurred in purchasing the ENSCO Hazardous Waste Facility. In all cases, the Attorney General determined that the issuance of the COPs was in accordance with the provisions of the Constitution.

The State issued $87.6 million new COPs and retired $21.0 million during the fiscal year ended June 30, 2000. The State had $393.5 million in COPs outstanding at year end. Principal and interest are covered by lease payments out of current revenues or appropriations from the fund responsible for utilization of the specific buildings.

The State has issued revenue bonds primarily to finance the construction of highways. They have also been issued for the construction of buildings and other facilities. The State's senior lien highway revenue bonds currently carry an AAA/Aa1 rating from Standard and Poor's Rating Service and Moody's Investor Service, Inc., respectively. The State issued $380.3 million of revenue bonds and retired $297.2 million during the fiscal year ended June 30, 2000. The State had $2.189 billion in bonds outstanding at year-end, an increase of $83.1 million from fiscal year 1999. This increase was primarily the result of the Water Infrastructure Finance Authority being added to the reporting entity. The Arizona Department of Transportation Highway Revenue Bonds accounted for $1.337 billion of the total bonds outstanding. See Note 9.A. and 9.B. in the Notes to the Financial Statements for additional information on revenue bonds and COPs.

RISK MANAGEMENT

The State purchases property and liability coverage whenever available on reasonable terms. The State is insured by an approved property insurer for claims in excess of $100 thousand but less than $600 million and liability claims in excess of $1 million for the Universities and $6 million for all other state agencies but less than $100 million. The State also maintains an excess workers' compensation policy for claims in excess of $1 million and first dollar aircraft coverage up to $200 million. Other purchased coverages include fidelity, crop, foreign liability, workers' compensation and medical malpractice. The State's self-insurance fund provides property and liability coverage for claims less than or in excess of this coverage or whenever coverage is unavailable on reasonable terms.

The State pays self-insurance losses from a fund to which monies are appropriated each year by the Legislature. Monies remaining at the end of a fiscal year carry over to

the next fiscal year, but are part of the appropriation made for that fiscal year to pay expected losses and costs. Self-insurance losses and claims-related expenses (excluding the cost of administering the program) have risen from approximately $15.3 million in fiscal year 1988 to approximately $62.2 million in fiscal year 2000. Yearly appropriations have also increased from approximately $27.7 million in fiscal year 1988 to approximately $73.5 million in fiscal year 2000 to meet such rising losses and claims-related expenses. Although there are no assurances, historically the Legislature has appropriated sufficient funds to cover all costs.

INDEPENDENT AUDIT

In compliance with State statute, an annual financial audit of the "State Entity" is completed each year by the State of Arizona, Office of the Auditor General in conjunction with other audit firms. Their audit was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Their report on the general purpose financial statements has been included in the financial section of this report. In addition, ARS §41-1279.03 requires at least a biennial single audit by the Office of the Auditor General. The Single Audit will be issued as a separate report at a later date.

ACKNOWLEDGMENTS

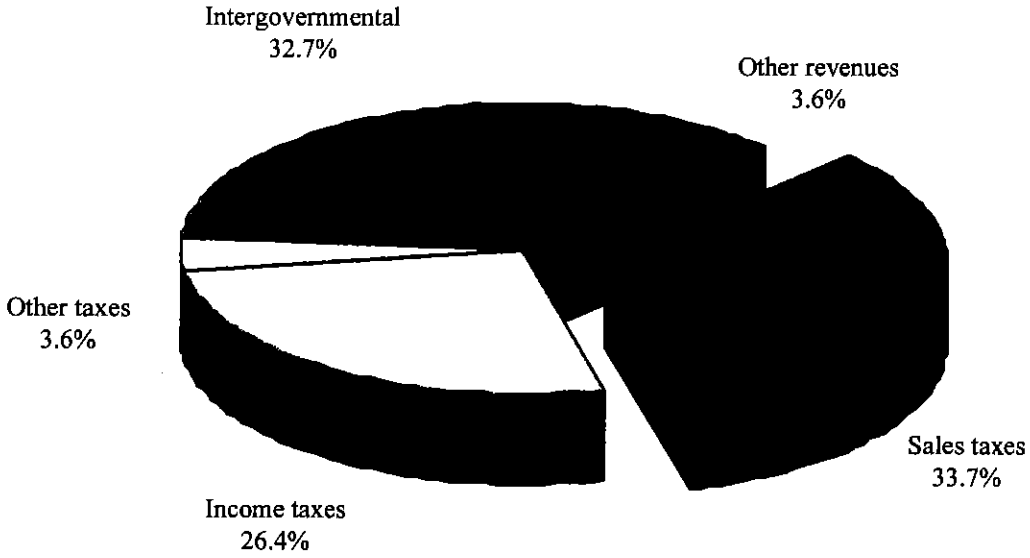
We wish to express our sincere appreciation to the many individuals whose dedicated efforts have made this report possible. The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the financial and management personnel of each State agency, board, commission, institution of higher education and all other organizations within the reporting entity.

J. Elliott Hibbs
Director

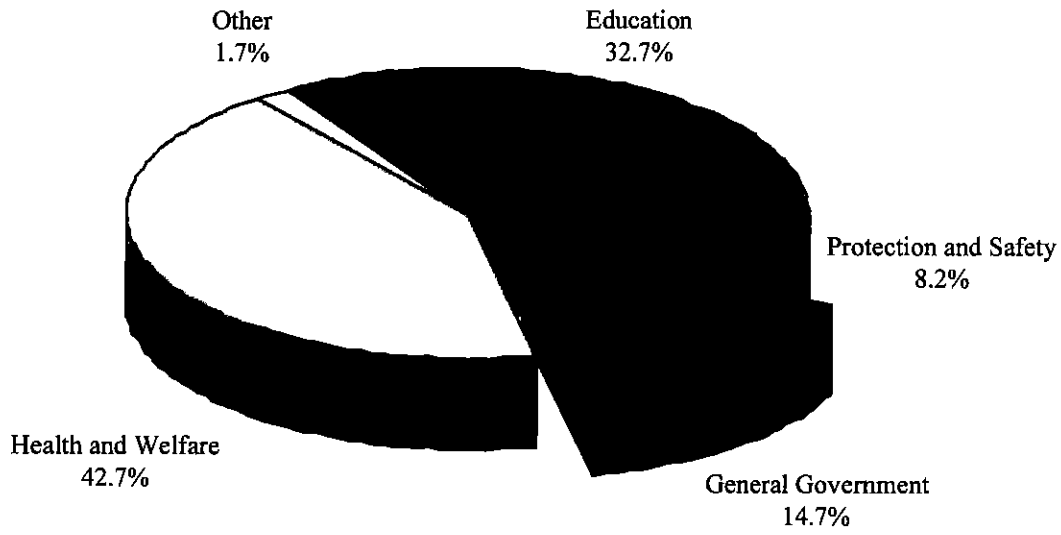
Robert Rocha
State Comptroller

STATE OF ARIZONA
GRAPHIC PRESENTATION OF REVENUES BY SOURCE
AND EXPENDITURES BY FUNCTION
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2000

Revenues by Source

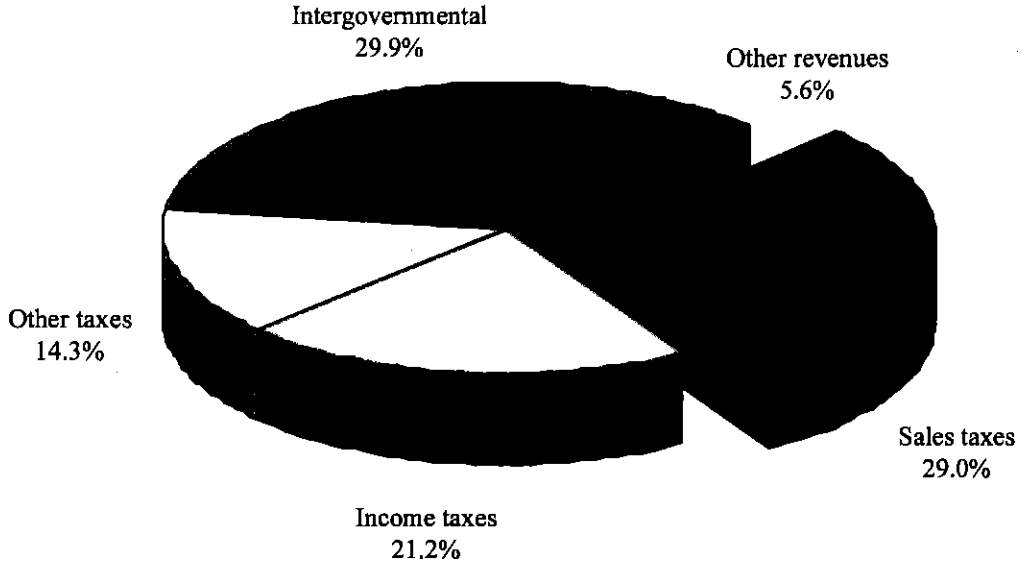


Expenditures by Function

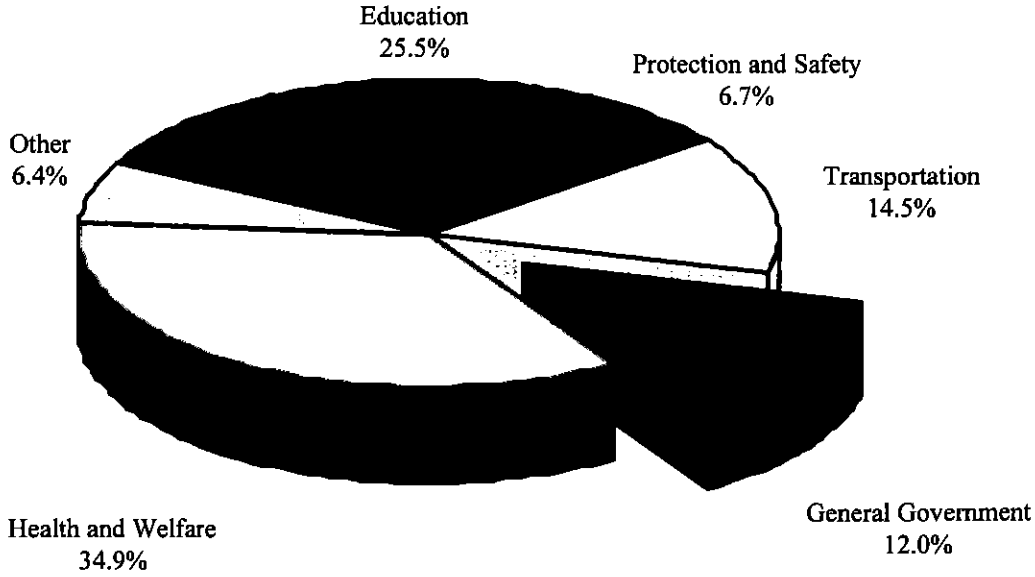


STATE OF ARIZONA
GRAPHIC PRESENTATION OF REVENUES BY SOURCE
AND EXPENDITURES BY FUNCTION
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

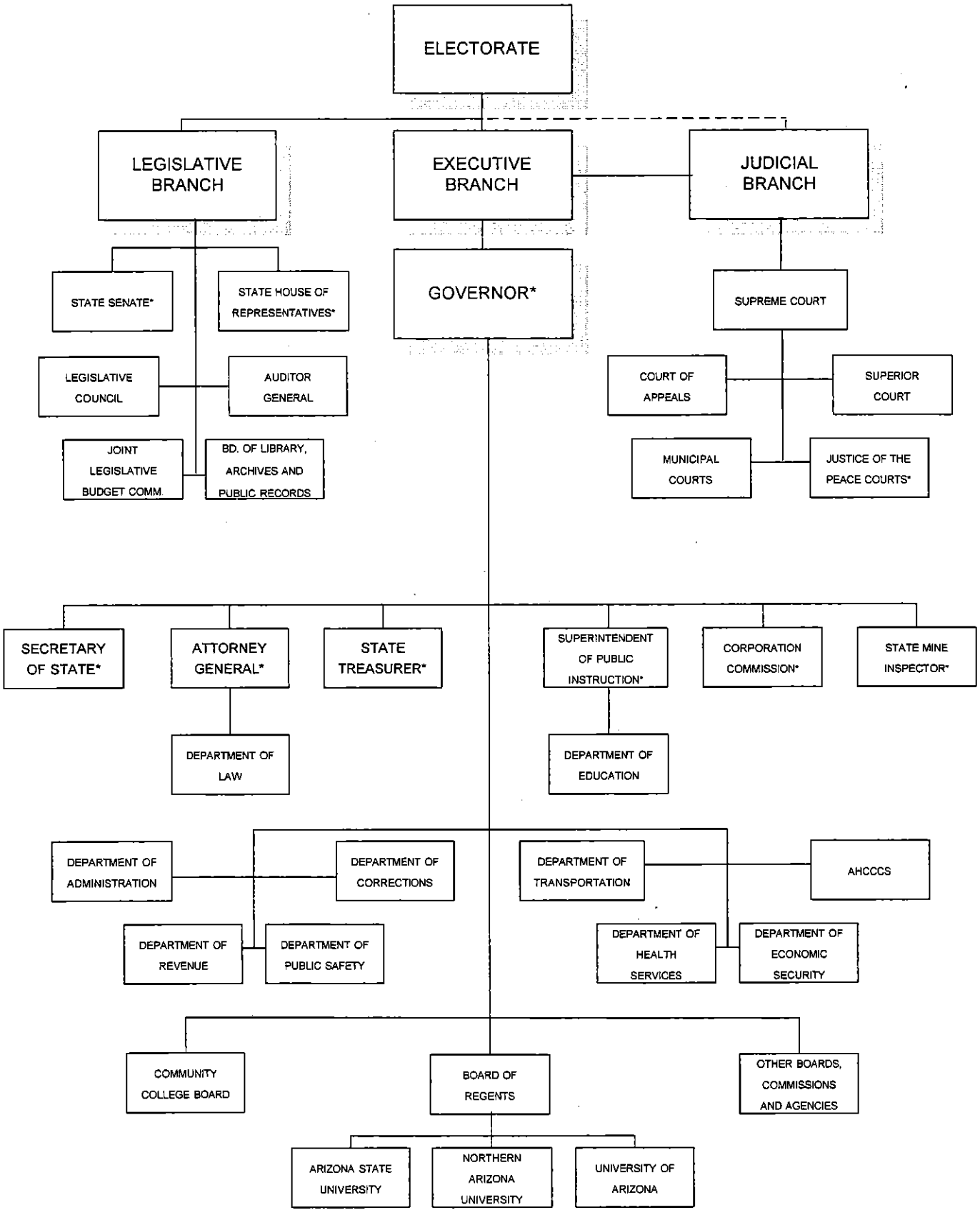
Revenues by Source



Expenditures by Function



ARIZONA STATE GOVERNMENT ORGANIZATION



* ELECTED OFFICIALS

STATE OF ARIZONA
PRINCIPAL STATE OFFICIALS
JUNE 30, 2000

ELECTED OFFICIALS

Jane Dee Hull, Governor

Senator Brenda Burns, President of the Senate

Representative Jim Weiers, Speaker of the House

Thomas A. Zlaket, Chief Justice

Betsey Bayless, Secretary of State

Janet Napolitano, Attorney General

Carol Springer, State Treasurer

Lisa Graham Keegan, Superintendent of Public Instruction

Carl J. Kunasek, Chairman - Corporation Commission

William A. Mundell, Commissioner - Corporation Commission

Jim Irvin, Commissioner - Corporation Commission

Douglas K. Martin, State Mine Inspector

APPOINTED OFFICIALS

Executive Officials

J. Elliott Hibbs, Director - Department of Administration

Terry L. Stewart, Director - Department of Corrections

John L. Clayton, Director - Department of Economic Security

Mark Killian, Director - Department of Revenue

Dennis A. Garrett, Director - Department of Public Safety

Catherine R. Eden, Ph.D., Director - Department of Health Services

Phyllis Biedess, Director - Arizona Health Care Cost Containment System

Mary Peters, Director - Department of Transportation

Legislative Officials

Michael E. Braun, Executive Director - Legislative Council

Richard Stavneak, Director - Joint Legislative Budget Committee

Debra K. Davenport, CPA, Auditor General

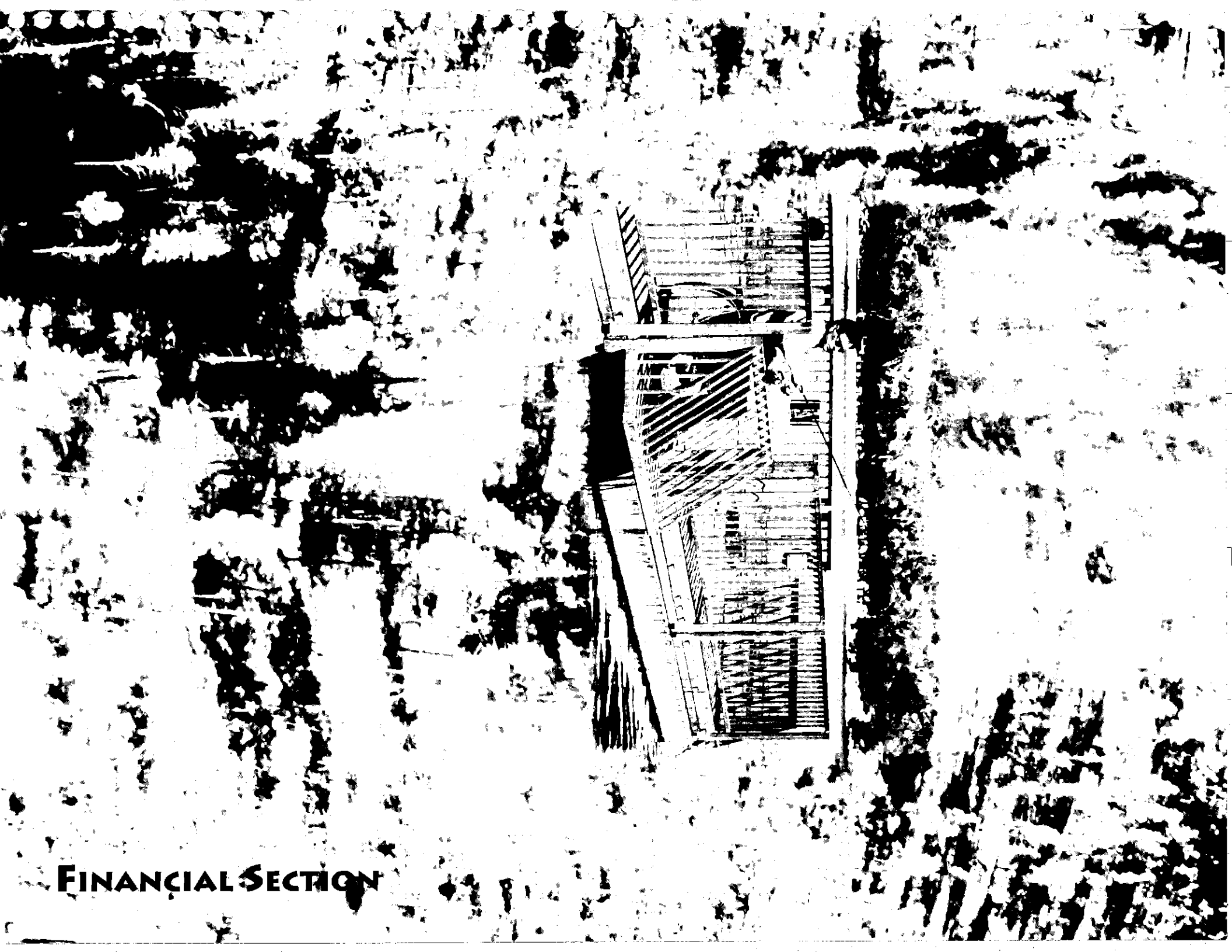
Gladys Ann Wells, Director - Board of Library, Archives and Public Records

University Officials

Lattie F. Coor, Ph.D., President - Arizona State University

Clara M. Lovett, President - Northern Arizona University

Peter Likins, President - University of Arizona



FINANCIAL SECTION

Barrier-free Fishing Statewide

"Fishing Barrier-free" *(Excerpt from July-August 2000 story in* Arizona Wildlife Views, *by Jill Welch, Associate Editor)*
Twenty barrier-free fishing facilities have been constructed at recreation sites across the state using funding provided by the Arizona Game and Fish Department. Nine of the facilities were constructed either by the Department or through Department-initiated cost-share partnerships with other agencies and organizations. Eleven were constructed with the aid of Department-approved Heritage grants—Lottery dollars working for wildlife. Heritage grant recipients and cost-share partners who are working with the Department to assure that we have "universally accessible" fishing opportunities include Arizona State Parks, the U.S. Forest Service, Bureau of Land Management, Bureau of Reclamation, National Park Service, White Mountain Apache Game and Fish, the Town of Lakeside-Pinetop, and Anglers United. So now, no matter how you do your fishing, your opportunities are better than ever.

Barrier-free Fishing Statewide Thanks to the Arizona Game and Fish Department Heritage Fund

So far, the Arizona Game and Fish Department's Heritage Fund has supplied more than $336,000 for the construction of barrier-free fishing facilities statewide. Visit one of these sites to enjoy some barrier-free fishing soon.*

Facility	Location	Partners	Year	Amount
Barrier-Free Fishing Pier	Kaibab Lake near Williams	Coconino National Forest	1992	62,395
Wood Trail, Barrier Free	Lake Mary Flagstaff	Coconino National Forest	1996	41,800
Barrier-Free Trail and Pier	Riggs Lake near Safford	Coconino National Forest	1996	36,600
Rattlesnake Barrier-Free Trail	Bartlett Lake near Phoenix	Tonto National Forest	1993	24,160
Rattlesnake Barrier-Free Floating Fishing Dock (under construction)	Bartlett Lake near Phoenix	Tonto National Forest	1997	30,000
Barrier-Free Fishing Pier	Woodland Lake Park in Pinetop-Lakeside	Town of Pinetop-Lakeside	1992	22,650
Fort Apache Barrier-Free Fishing Pier	Whiteriver, Horseshow	White Mountain Apache Game & Fish	1994	21,600
Barrier-Free Trail	Rose Canyon Lake near Tucson	Coconino National Forest	1995	25,000
Barrier-Free Fishing Access	Patagonia Lake near Nogales	Arizona Game & Fish Region 5	1993	24,809
Barrier-Free Fishing Jetties and Parking Lot	Mittry Lake near Yuma	Arizona Game & Fish Region 4 & BLM	1992	47,327
Blue Ribbon Fisheries Barrier-Free Access	Black River near Springerville	Apache-Sitgreaves National Forest & Trout Unlimited	1993	30,040

*Check Arizona's Fishing Regulations 2000 for additional barrier-free fishing opportunities.

INDEPENDENT AUDITORS' REPORT

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

Independent Auditors' Report

The Honorable Jane Dee Hull, Governor
State of Arizona

The Honorable Brenda A. Burns, President
Arizona State Senate

The Honorable Jim Weiers, Speaker
Arizona House of Representatives

The Honorable Thomas A. Zlaket, Chief Justice
Arizona Supreme Court

We have audited the accompanying general purpose financial statements of the State of Arizona as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of certain departments and component units included in the general purpose financial statements of the State of Arizona, which account for the following percentages of the assets, general long-term debt (GLTD), and revenues and other financing sources of the fund type, account group, or discretely presented component unit affected.

Fund Type/Account Group/Component Unit	Assets/ GLTD	Revenues and Other Financing Sources	Department/Component Unit
General	7%	14%	Arizona Health Care Cost Containment System
Special Revenue	14%	4%	Arizona Health Care Cost Containment System
	50%	78%	Department of Transportation
Capital Projects	39%	81%	Department of Transportation
Debt Service	84%	91%	Department of Transportation

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Fund Type/Account Group/Component Unit	Assets/ GLTD	Revenues and Other Financing Sources	Department/Component Unit
Enterprise	2%	7%	Arizona Health Care Cost Containment System
	3%	1%	ComCare, Inc.
	2%	3%	Department of Transportation
	10%	69%	Lottery
Internal Service	33%	20%	Department of Transportation
Trust and Agency	2%	2%	Corrections Officer Retirement Plan
	1%	1%	Elected Officials' Retirement Plan
	16%	10%	Public Safety Personnel Retirement System
	61%	33%	State Retirement System
General Fixed Assets	12%	N/A	Department of Transportation
General Long-Term Debt	80%	N/A	Department of Transportation
Proprietary Fund Type Component Units	3%	4%	Arizona Power Authority
	8%	41%	University Medical Center
	89%	55%	State Compensation Fund
Fiduciary Fund Type Component Unit	100%	100%	Water Infrastructure Financing Authority

Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. The financial statements of the Public Safety Personnel Retirement System, Elected Officials' Retirement Plan, and Corrections Officer Retirement Plan, included in the Trust and Agency Funds; and the University Medical Center, Arizona Power Authority, and State Compensation Fund, included in the Proprietary Fund Type Component Units were not audited by the other auditors in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the State of Arizona as of June 30, 2000, and the results of its operations, the cash flows of its proprietary and similar trust funds and component units, the changes in plan net assets of its pension trust funds, the changes in pool net assets of its investment trust funds, the changes in fund balances of its university funds, the current operating funds revenues, expenditures, and other changes of its university funds, and the changes in policyholders' surplus of its State Compensation Fund for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 12 to the financial statements, the State Compensation Fund changed its method of reporting from a statutory basis of accounting to generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the State of Arizona taken as a whole. The combining financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, based on our audit and the reports of the other auditors, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

The information included in the introductory and statistical sections listed in the table of contents has not been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, accordingly, we express no opinion on such information.

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants at a future date. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Debbie Davenport
Auditor General

December 12, 2000

Gila Trout Reintroduction

The Arizona Game and Fish Department with the help from a host of cooperators, including local angler groups, reintroduced the Gila to Arizona in the fall of 1999. These colorful native trout were reintroduced to Dude Creek near Payson. Current plans are to create a second population of these native trout to Raspberry Creek in eastern Arizona.

Although the Gila trout recovery efforts have been underway in New Mexico for a few decades, establishing a population of these endangered fish in Arizona paved the way for the Gila Trout Recovery Team to recommend the U.S. Fish and Wildlife Service consider downlisting them from endangered to threatened.

General Purpose Financial Statements

STATE OF ARIZONA
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2000
(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY
ASSETS AND OTHER DEBITS							
Assets:							
Cash and investments	$ 1,427,885	$ 1,274,407	$ 20,735	$ 128,226	$ 338,086	$ 76,340	$ 41,696,545
Cash held by trustee	-	-	-	-	-	-	-
Investments held by trustee	-	-	-	-	-	-	-
Receivables, net of allowances:							
Taxes	479,577	161,314	-	2,180	-	-	39,825
Interest	14,601	7,836	2,284	837	2,585	43	126,419
Other	17,080	41,817	-	-	8,801	3,776	223,335
Reinsurance recoverables	-	-	-	-	-	-	-
Due from U.S. Government	176,707	36,544	-	-	124	-	3,073
Due from local governments	137	21,423	-	-	-	-	40
Due from others	-	-	-	-	-	-	1
Due from other Funds	21,701	37,959	-	477	2,859	2,744	22,588
Inventory of food stamps	432	-	-	-	-	-	-
Inventories, at cost	5,706	5,803	-	-	9,973	2,898	75
Other	306	19	-	-	6,863	872	1,451
Fixed assets:							
Property and equipment	-	-	-	-	84,308	187,295	13,366
Less: accumulated depreciation	-	-	-	-	(39,779)	(111,076)	(1,462)
Total Assets	2,144,132	1,587,122	23,019	131,720	413,820	162,892	42,125,256
Other Debits:							
Amount available for retirement of long-term debt	-	-	-	-	-	-	-
Amount to be provided for retirement of long-term debt	-	-	-	-	-	-	-
Total Assets and Other Debits	$ 2,144,132	$ 1,587,122	$ 23,019	$ 131,720	$ 413,820	$ 162,892	$ 42,125,256

The Notes to the Financial Statements are an integral part of this statement.

ACCOUNT GROUPS					COMPONENT UNITS	
GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	UNIVERSITY	TOTAL (MEMORANDUM ONLY) PRIMARY GOVERNMENT	PROPRIETARY AND FIDUCIARY FUND TYPES	TOTAL (MEMORANDUM ONLY) REPORTING ENTITY
$ -	$ -	$ 682,907	$ 45,645,131	$ 2,565,672	$ 48,210,803
-	-	67,990	67,990	-	67,990
-	-	-	-	33,552	33,552
-	-	-	682,896	-	682,896
-	-	-	154,605	20,972	175,577
-	-	114,932	409,741	229,577	639,318
-	-	-	-	46,243	46,243
-	-	-	216,448	-	216,448
-	-	-	21,600	-	21,600
-	-	-	1	-	1
-	-	4,818	93,146	-	93,146
-	-	-	432	-	432
-	-	14,502	38,957	8,309	47,266
-	-	5,657	15,168	71,125	86,293
1,813,803	-	3,221,902	5,320,674	317,988	5,638,662
-	-	-	(152,317)	(174,259)	(326,576)
1,813,803	-	4,112,708	52,514,472	3,119,179	55,633,651
-	23,019	-	23,019	-	23,019
-	1,671,384	-	1,671,384	-	1,671,384
$ 1,813,803	$ 1,694,403	$ 4,112,708	$ 54,208,875	$ 3,119,179	$ 57,328,054

(Continued)

STATE OF ARIZONA
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2000
(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY
LIABILITIES AND FUND EQUITY AND OTHER CREDITS							
Liabilities:							
Accounts payable	$ 197,917	$ 129,481	$ -	$ 1,833	$ 12,603	$ 6,751	$ 95,800
Accrued liabilities	16,954	8,475	-	100	666	755	27,636
Obligations under securities loan agreements	-	-	-	-	49,119	-	2,860,158
Tax refunds payable	20,771	-	-	-	-	-	-
Due to U.S. Government	-	1,540	-	-	-	-	-
Due to local governments	139,193	126,613	-	-	2,835	-	39,939
Due to others	60,226	-	-	-	51	205	65,797
Due to other Funds	26,518	14,128	-	1,850	10,268	738	34,826
Deferred revenue	83,933	768	-	-	7,189	-	34,162
Notes payable	-	101,680	-	-	-	-	-
Accrued compensated absences	-	-	-	-	825	945	-
Accrued insurance losses	155,396	393	-	-	160,052	213,076	-
Revenue bonds	-	-	-	-	-	-	-
Certificates of participation	-	-	-	-	9,800	-	-
Leases and installment purchases	-	-	-	-	-	9,530	-
NCCI assigned risk pool liability	-	-	-	-	-	-	-
Policyholders' dividends	-	-	-	-	-	-	-
Other	8,297	6,671	-	-	18,610	8	3,428,418
Total Liabilities	709,205	389,749	-	3,783	272,018	232,008	6,586,736
Fund Equity and Other Credits:							
Net investment in fixed assets	-	-	-	-	-	-	-
Policyholders' surplus	-	-	-	-	-	-	-
Contributed capital	-	-	-	-	5,646	24,437	-
Retained earnings (deficits):							
Reserved	-	-	-	-	7,370	10,923	-
Unreserved	-	-	-	-	128,786	(104,476)	-
Fund balances:							
Reserved	482,073	361,113	23,019	93,884	-	-	35,538,520
Unreserved	952,854	836,260	-	34,053	-	-	-
Total Fund Equity and Other Credits	1,434,927	1,197,373	23,019	127,937	141,802	(69,116)	35,538,520
Total Liabilities and Fund Equity and Other Credits	$ 2,144,132	$ 1,587,122	$ 23,019	$ 131,720	$ 413,820	$ 162,892	$ 42,125,256

The Notes to the Financial Statements are an integral part of this statement.

ACCOUNT GROUPS				COMPONENT UNITS	
GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	UNIVERSITY	TOTAL (MEMORANDUM ONLY) PRIMARY GOVERNMENT	PROPRIETARY AND FIDUCIARY FUND TYPES	TOTAL (MEMORANDUM ONLY) REPORTING ENTITY
$ -	$ -	$ 44,996	$ 489,381	$ 12,602	$ 501,983
-	-	13,199	67,785	24,431	92,216
-	-	-	2,909,277	275,357	3,184,634
-	-	-	20,771	-	20,771
-	-	-	1,540	-	1,540
-	-	-	308,580	-	308,580
-	-	-	126,279	-	126,279
-	-	4,818	93,146	-	93,146
-	-	120,859	246,911	36,643	283,554
-	-	-	101,680	-	101,680
-	155,844	-	157,614	3,699	161,313
-	-	-	528,917	1,761,132	2,290,049
-	1,337,108	567,659	1,904,767	284,142	2,188,909
-	183,451	182,099	375,350	-	375,350
-	18,000	22,360	49,890	-	49,890
-	-	-	-	23,505	23,505
-	-	-	-	8,840	8,840
-	-	49,081	3,511,085	27,251	3,538,336
-	1,694,403	1,005,071	10,892,973	2,457,602	13,350,575
1,813,803	-	2,481,956	4,295,759	-	4,295,759
-	-	-	-	405,244	405,244
-	-	-	30,083	135,056	165,139
-	-	-	18,293	6,482	24,775
-	-	-	24,310	114,795	139,105
-	-	-	36,498,609	-	36,498,609
-	-	625,681	2,448,848	-	2,448,848
1,813,803	-	3,107,637	43,315,902	661,577	43,977,479
$ 1,813,803	$ 1,694,403	$ 4,112,708	$ 54,208,875	$ 3,119,179	$ 57,328,054

STATE OF ARIZONA
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND
EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST
REVENUES					
Taxes:					
Sales	$ 3,598,684	$ 255,391	$ -	$ -	$ -
Income	2,820,039	-	-	-	28
Motor vehicle and fuel	24,126	1,329,639	-	6,352	-
Property	48,385	1,931	-	174	-
Unemployment	-	-	-	-	177,607
Other	308,540	157,197	-	25,642	-
Intergovernmental	3,491,859	484,160	-	-	11,395
Licenses, fees and permits	58,552	137,859	-	2,540	6,025
Earnings on investments	107,608	42,371	9,222	8,553	65,095
Sales and charges for services	16,575	41,204	-	-	424
Fines, forfeitures and penalties	11,240	63,410	-	-	5,816
Other	190,083	56,925	39	4,493	72,348
Total Revenues	10,675,691	2,570,087	9,261	47,754	338,738
EXPENDITURES					
Current:					
General government	1,428,363	72,123	-	-	262,436
Health and welfare	4,150,211	214,794	-	-	191,136
Inspection and regulation	43,365	69,585	-	-	4,084
Education	3,183,463	3,023	-	-	2,159
Protection and safety	793,275	51,179	-	-	1,191
Transportation	40	1,811,437	480	-	-
Natural resources	37,165	62,409	-	-	1,144
Capital outlay	75,631	26,102	-	200,017	1,040
Debt service:					
Principal	4,154	51	188,295	-	63
Interest and other fiscal charges	2,343	42	88,837	-	-
Total Expenditures	9,718,010	2,310,745	277,612	200,017	463,253
Revenues Over (Under) Expenditures	957,681	259,342	(268,351)	(152,263)	(124,515)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	174,586	116,537	251,328	21,050	200,509
Operating transfers in from component units	-	-	-	-	19
Operating transfers out	(991,382)	(360,707)	-	(55,088)	(2,990)
Capital lease and installment purchase contracts	136	3,407	-	-	-
Proceeds of refunding bonds	-	-	26,171	-	-
Payment to refunded bond escrow agent	-	-	(25,115)	-	-
Proceeds from sale of bonds	-	-	-	250,499	-
Total Other Financing Sources (Uses)	(816,660)	(240,763)	252,384	216,461	197,538
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	141,021	18,579	(15,967)	64,198	73,023
Beginning Fund Balances, as restated	1,290,966	1,178,068	38,986	63,739	1,028,407
Residual Equity Transfers	2,940	726	-	-	9,728
Ending Fund Balances	$ 1,434,927	$ 1,197,373	$ 23,019	$ 127,937	$ 1,111,158

The Notes to the Financial Statements are an integral part of this statement.

	TOTAL (MEMORANDUM ONLY)
$	3,854,075
	2,820,067
	1,360,117
	50,490
	177,607
	491,379
	3,987,414
	204,976
	232,849
	58,203
	80,466
	323,888
	13,641,531
	1,762,922
	4,556,141
	117,034
	3,188,645
	845,645
	1,811,957
	100,718
	302,790
	192,563
	91,222
	12,969,637
	671,894
	764,010
	19
	(1,410,167)
	3,543
	26,171
	(25,115)
	250,499
	(391,040)
	280,854
	3,600,166
	13,394
$	3,894,414

STATE OF ARIZONA
COMBINED STATEMENT OF REVENUES AND EXPENDITURES
APPROPRIATION (BUDGET) TO ACTUAL - BUDGETARY BASIS
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	GENERAL FUND		
	APPROPRIATION (BUDGET)	ACTUAL	UNDER/(OVER) SPENDING AUTHORITY
REVENUES			
Taxes:			
Sales	$ -	$ 2,829,307	$ -
Income	-	2,434,800	-
Property	-	48,385	-
Luxury	-	65,436	-
Insurance premium	-	160,701	-
Motor vehicle and fuel	-	24,269	-
Estate	-	80,644	-
Other taxes	-	695	-
Non-Tax Revenues:			
Lottery proceeds	-	21,000	-
Disproportionate share, net	-	89,832	-
Intergovernmental	-	-	-
Earnings on investments	-	77,939	-
Licenses, fees, sales, permits and other revenues	-	244,561	-
Total Revenues	-	6,077,569	-
EXPENDITURES			
General Government:			
Department of Administration	27,804	26,733	1,071
Department of Administration - Capital Outlay	25,195	18,158	7,037
Office of Administrative Hearings	1,275	1,275	-
Attorney General	25,601	25,472	129
Department of Commerce	20,359	20,101	258
State Board of Equalization	615	573	42
Government Information Technology	749	563	186
Governor	10,583	9,292	1,291
Superior Court	120,306	119,278	1,028
Supreme Court	16,795	16,382	413
Supreme Court - Capital Outlay	1,736	1,712	24
Court of Appeals	10,104	10,103	1
Senate	10,913	6,763	4,150
House of Representatives	10,877	10,341	536
Auditor General	11,222	10,192	1,030
Joint Legislative Budget Committee	2,882	2,025	857
Legislative Council	6,551	5,134	1,417
Legislative Council - Capital Outlay	59	-	59
Department of Library and Archives	7,101	7,051	50
Department of Library and Archives - Capital Outlay	2	2	-
Lottery	1,500	1,500	-
Personnel Board	397	315	82
Retirement System	600	12	588
Department of Revenue	58,789	58,160	629

The Notes to the Financial Statements are an integral part of this statement.

SPECIAL REVENUE FUNDS		
APPROPRIATION (BUDGET)	ACTUAL	UNDER/(OVER) SPENDING AUTHORITY
$ -	$ 255,317	$ -
-	-	-
-	11,690	-
-	119,801	-
-	22,136	-
-	890,323	-
-	-	-
-	7,773	-
-	-	-
-	-	-
-	495,642	-
-	58,319	-
-	639,795	-
-	2,500,796	-
40,962	18,833	22,129
-	-	-
836	836	-
22,599	19,190	3,409
7,284	2,638	4,646
-	-	-
-	-	-
548	37	511
12,166	8,046	4,120
6,633	6,090	543
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
381	311	70

(Continued)

STATE OF ARIZONA
COMBINED STATEMENT OF REVENUES AND EXPENDITURES
APPROPRIATION (BUDGET) TO ACTUAL - BUDGETARY BASIS
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	GENERAL FUND		
	APPROPRIATION (BUDGET)	ACTUAL	UNDER/(OVER) SPENDING AUTHORITY
Secretary of State	6,247	4,142	2,105
Tax Appeals Board	302	267	35
Office of Tourism	8,863	8,702	161
State Treasurer	23,701	22,576	1,125
Uniform State Law Commission	35	33	2
Total General Government	411,163	386,857	24,306
Health and Welfare:			
AHCCCS	521,947	508,494	13,453
AHCCCS - Capital Outlay	19	19	-
Commission for the Deaf and Hard of Hearing	-	(1)	1
Department of Economic Security	441,029	426,582	14,447
Department of Economic Security - Capital Outlay	2,353	1,968	385
Department of Environmental Quality	19,820	18,803	1,017
Department of Health Services	258,559	250,217	8,342
Department of Health Services - Capital Outlay	623	276	347
Indian Affairs Commission	235	234	1
Pioneer's Home	2,647	2,502	145
Pioneer's Home - Capital Outlay	4	-	4
Rangers Pension	11	11	-
Veterans' Service Commission	1,747	1,710	37
Veterans' Service Commission - Capital Outlay	504	312	192
Total Health and Welfare	1,249,498	1,211,127	38,371
Inspection and Regulation:			
Department of Agriculture	12,058	11,860	198
Banking Department	2,769	2,667	102
Boxing Commission	75	70	5
Department of Building and Fire Safety	3,338	3,274	64
Corporation Commission	6,391	6,010	381
Insurance Department	5,402	5,360	42
Liquor Licenses Department	2,482	2,475	7
Mine Inspector	1,110	1,072	38
State Board of Nursing	320	117	203
Occupational Safety and Health	26	9	17
Racing Department	2,638	2,541	97
Radiation Regulatory	1,668	1,646	22
Real Estate Department	3,136	3,122	14
Weights and Measures	1,731	1,721	10
Board of Accountancy	-	-	-
Acupuncture Board of Examiners	-	-	-
Board of Appraisal	-	-	-
Board of Barber Examiners	-	-	-

The Notes to the Financial Statements are an integral part of this statement.

SPECIAL REVENUE FUNDS		
APPROPRIATION (BUDGET)	ACTUAL	UNDER/(OVER) SPENDING AUTHORITY
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
91,409	55,981	35,428
68,545	40,234	28,311
-	-	-
5,965	5,433	532
6,508	4,299	2,209
-	-	-
29,294	15,273	14,021
23,442	16,299	7,143
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
405	405	-
-	-	-
134,159	81,943	52,216
2,360	2,017	343
-	-	-
-	-	-
-	-	-
13,926	12,740	1,186
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
363	287	76
155	147	8
-	-	-
768	648	120
1,532	1,372	160
49	43	6
429	427	2
168	162	6

(Continued)

STATE OF ARIZONA
COMBINED STATEMENT OF REVENUES AND EXPENDITURES
APPROPRIATION (BUDGET) TO ACTUAL - BUDGETARY BASIS
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	GENERAL FUND		
	APPROPRIATION (BUDGET)	ACTUAL	UNDER/(OVER) SPENDING AUTHORITY
Board of Behavioral Health Examiners	-	-	-
Board of Chiropractic Examiners	-	-	-
Registrar of Contractors	-	-	-
Board of Cosmetology	-	-	-
Board of Dental Examiners	-	-	-
Board of Funeral Directors and Embalmers	-	-	-
Department of Gaming	-	-	-
Board of Homeopathic Medical Examiners	-	-	-
Industrial Commission	-	-	-
Board of Medical Examiners	-	-	-
Naturopathic Board	-	-	-
Board of Nursing	-	-	-
Nursing Care Examiners Board	-	-	-
Occupational Therapy Examiners Board	-	-	-
Board of Dispensing Opticians	-	-	-
Optometry Board	-	-	-
Osteopathic Examiners Board	-	-	-
Pharmacy Board	-	-	-
Physical Therapy Examiners Board	-	-	-
Podiatry Examiners Board	-	-	-
Private Post-Secondary Education	-	-	-
Psychologist Examiners Board	-	-	-
Residential Utilities Consumer's Office	-	-	-
Respiratory Care Examiners Board	-	-	-
Structural Pest Control Board	-	-	-
Technical Registration Board	-	-	-
Veterinary Medical Examiners Board	-	-	-
Total Inspection and Regulation	43,144	41,944	1,200
Education:			
Arizona Commission on the Arts	4,366	4,365	1
State Board for Charter Schools	665	437	228
Community College Board	132,665	132,665	-
Community College Board - Capital Outlay	500	500	-
School for the Deaf and Blind	18,260	17,527	733
School for the Deaf and Blind - Capital Outlay	36	25	11
Department of Education	2,395,542	2,383,635	11,907
Department of Education - Capital Outlay	700	700	-
Historical Society	4,489	4,448	41
Historical Society - Capital Outlay	104	98	6
Prescott Historical Society	733	733	-
Prescott Historical Society - Capital Outlay	5	5	-
Medical Student Loans Board	276	276	-
Arizona Commission for Postsecondary Education	1,735	1,733	2
School Facilities Board	321,019	319,823	1,196
Board of Regents	7,110	7,054	56
Board of Regents - Capital Outlay	8,128	8,128	-

The Notes to the Financial Statements are an integral part of this statement.

SPECIAL REVENUE FUNDS

APPROPRIATION (BUDGET)	ACTUAL	UNDER/(OVER) SPENDING AUTHORITY
547	502	45
332	301	31
8,306	7,493	813
1,266	1,000	266
726	712	14
263	224	39
4,699	4,161	538
71	51	20
14,613	13,990	623
4,496	4,030	466
212	141	71
2,230	2,096	134
189	185	4
127	101	26
82	79	3
133	72	61
492	491	1
944	801	143
236	205	31
86	78	8
175	172	3
280	228	52
1,294	1,014	280
165	146	19
1,676	1,509	167
1,065	920	145
283	268	15
64,738	58,813	5,925
-	-	-
-	-	-
148	147	1
-	-	-
6	6	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
2,898	1,868	1,030
-	-	-
-	-	-
-	-	-

(Continued)

STATE OF ARIZONA
COMBINED STATEMENT OF REVENUES AND EXPENDITURES
APPROPRIATION (BUDGET) TO ACTUAL - BUDGETARY BASIS
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	GENERAL FUND		
	APPROPRIATION (BUDGET)	ACTUAL	UNDER/(OVER) SPENDING AUTHORITY
Arizona State University	315,050	315,050	-
Northern Arizona University	108,430	108,430	-
Northern Arizona University - Capital Outlay	400	400	-
University of Arizona	319,560	319,560	-
University of Arizona - Capital Outlay	500	500	-
Total Education	3,640,273	3,626,092	14,181
Protection and Safety:			
Board of Fingerprinting	60	60	-
Automobile Theft Authority	4	3	1
Department of Corrections	573,216	553,927	19,289
Department of Corrections - Capital Outlay	311	156	155
Arizona Criminal Justice Commission	2,234	2,230	4
Arizona Criminal Justice Commission - Capital Outlay	750	750	-
Emergency Management and Military Affairs	22,639	15,699	6,940
Emergency Management and Military Affairs - Capital Outlay	3,071	926	2,145
Board of Executive Clemency	1,430	1,420	10
Department of Juvenile Corrections	67,115	66,168	947
Department of Juvenile Corrections - Capital Outlay	282	224	58
Law Enforcement Merit System	53	53	-
Department of Public Safety	76,996	76,476	520
Department of Public Safety - Capital Outlay	748	671	77
Total Protection and Safety	748,909	718,763	30,146
Transportation:			
Grand Canyon Airport Authority	-	-	-
Department of Transportation	98	94	4
Total Transportation	98	94	4
Natural Resources:			
Game and Fish Department	-	-	-
Game and Fish Department - Capital Outlay	-	-	-
Geological Survey	863	860	3
Land Department	17,406	16,684	722
Land Department - Capital Outlay	2	2	-
Mines and Mineral Resources	715	712	3
Navigable Streams Adjudication	246	213	33
Parks Board	7,326	7,235	91
Parks Board - Capital Outlay	1,315	20	1,295
Water Resources	17,094	15,946	1,148
Water Resources - Capital Outlay	400	-	400
Total Natural Resources	45,367	41,672	3,695
Total Expenditures	6,138,452	6,026,549	111,903

The Notes to the Financial Statements are an integral part of this statement.

SPECIAL REVENUE FUNDS		
APPROPRIATION (BUDGET)	ACTUAL	UNDER/(OVER) SPENDING AUTHORITY
-	-	-
-	-	-
-	-	-
92	92	-
-	-	-
3,144	2,113	1,031
-	-	-
2,612	2,423	189
1,533	1,452	81
-	-	-
3,251	3,157	94
-	-	-
1,374	1,374	-
-	-	-
-	-	-
354	354	-
-	-	-
-	-	-
135,068	133,463	1,605
-	-	-
144,192	142,223	1,969
1,000	780	220
989,069	954,611	34,458
990,069	955,391	34,678
22,328	19,037	3,291
715	197	518
-	-	-
905	715	190
-	-	-
-	-	-
-	-	-
1,200	1,095	105
8,428	4,629	3,799
-	-	-
-	-	-
33,576	25,673	7,903
1,461,287	1,322,137	139,150

(Continued)

STATE OF ARIZONA
COMBINED STATEMENT OF REVENUES AND EXPENDITURES
APPROPRIATION (BUDGET) TO ACTUAL - BUDGETARY BASIS
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	GENERAL FUND		
	APPROPRIATION (BUDGET)	ACTUAL	UNDER/(OVER) SPENDING AUTHORITY
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	3,006	-
Operating transfers out	-	-	-
Operating transfers out - Tobacco Settlement	-	(20,000)	-
Operating transfers in - Budget Stabilization Fund	-	20,000	-
Operating transfers out - Budget Stabilization Fund	-	(20,000)	-
Budget Stabilization Fund Interest	-	20,983	-
Total Other Financing Sources	-	3,989	-
Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	55,009	-
Beginning Fund Balances, as restated	-	689,365	-
Residual Equity Transfers	-	2,964	-
Ending Fund Balances	$ -	$ 747,338	$ -

The Notes to the Financial Statements are an integral part of this statement.

SPECIAL REVENUE FUNDS		
APPROPRIATION (BUDGET)	ACTUAL	UNDER/(OVER) SPENDING AUTHORITY
-	499,557	-
-	(1,075)	-
-	-	-
-	-	-
-	-	-
-	-	-
-	498,482	-
-	1,677,141	-
-	1,033,129	-
-	726	-
$ -	$ 2,710,996	$ -

STATE OF ARIZONA

COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCES

ALL PROPRIETARY FUND TYPES, NON-EXPENDABLE TRUST FUNDS AND
PROPRIETARY AND FIDUCIARY FUND TYPES COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	TOTAL (MEMORANDUM ONLY)
	ENTERPRISE	INTERNAL SERVICE	NON-EXPENDABLE TRUST	PRIMARY GOVERNMENT
OPERATING REVENUES				
Sales and charges for services:				
Lottery	$ 255,553	$ -	$ -	$ 255,553
Other	87,233	145,673	18,174	251,080
Intergovernmental	-	-	134	134
Motor vehicle and fuel taxes	121	-	-	121
Licenses, fees and permits	846	-	-	846
Earnings on investments	11,170	-	43,215	54,385
Gain on sale of land	-	-	66,492	66,492
Other	8,838	5,165	4,120	18,123
Total Operating Revenues	363,761	150,838	132,135	646,734
OPERATING EXPENSES				
Cost of sales and benefits	241,200	26,820	-	268,020
Personal services	20,042	29,233	1,703	50,978
Contractual services	8,811	27,380	1,961	38,152
Aid to local governments	33,490	1,155	66,770	101,415
Depreciation and amortization	4,173	15,250	278	19,701
Insurance	970	36,912	100	37,982
Other	20,874	7,462	1,133	29,469
Total Operating Expenses	329,560	144,212	71,945	545,717
Operating Income	34,201	6,626	60,190	101,017
NON-OPERATING REVENUES (EXPENSES)				
Gain (loss) on sale of fixed assets	(143)	270	-	127
Interest income	1,217	227	14	1,458
Interest expense	(592)	-	-	(592)
Other	729	680	-	1,409
Net Non-operating Income	1,211	1,177	14	2,402
Income Before Operating Transfers	35,412	7,803	60,204	103,419
OPERATING TRANSFERS				
Operating transfers in	7,031	2,500	2,000	11,531
Operating transfers out	(44,098)	(4,219)	(380)	(48,697)
Operating transfers out to primary government	-	-	-	-
Net Operating Transfers	(37,067)	(1,719)	1,620	(37,166)
Net Income (Loss)	(1,655)	6,084	61,824	66,253
Beginning Retained Earnings/Fund Balances (Deficits), as restated	151,205	(99,637)	1,006,684	1,058,252
Residual Equity Transfers	(13,394)	-	-	(13,394)
Ending Retained Earnings/Fund Balances (Deficits)	$ 136,156	$ (93,553)	$ 1,068,508	$ 1,111,111

The Notes to the Financial Statements are an integral part of this statement.

COMPONENT UNITS PROPRIETARY AND FIDUCIARY FUND TYPES	TOTAL (MEMORANDUM ONLY) REPORTING ENTITY
$ -	$ 255,553
260,104	511,184
1,595	1,729
-	121
-	846
9,483	63,868
-	66,492
17,413	35,536
288,595	935,329
71,456	339,476
112,847	163,825
35,710	73,862
-	101,415
17,466	37,167
2,401	40,383
40,064	69,533
279,944	825,661
8,651	109,668
-	127
8,252	9,710
(8,257)	(8,849)
167	1,576
162	2,564
8,813	112,232
-	11,531
-	(48,697)
(19)	(19)
(19)	(37,185)
8,794	75,047
112,483	1,170,735
-	(13,394)
$ 121,277	$ 1,232,388

STATE OF ARIZONA
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES, NON-EXPENDABLE TRUST FUNDS
AND PROPRIETARY AND FIDUCIARY FUND TYPES COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	TOTAL (MEMORANDUM ONLY)
	ENTERPRISE	INTERNAL SERVICE	NON-EXPENDABLE TRUST	PRIMARY GOVERNMENT
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income	$ 34,201	$ 6,626	$ 60,190	$ 101,017
Adjustments to reconcile to net cash provided by operating activities:				
Depreciation and amortization	4,173	15,250	278	19,701
Net decrease in fair value of investments	8,887	-	14,050	22,937
Total Adjustments	13,060	15,250	14,328	42,638
Changes in assets and liabilities:				
(Increase) decrease in receivables, net of allowances	13,573	(1,634)	8,569	20,508
(Increase) in due from U.S. Government	(124)	-	-	(124)
Decrease in due from local governments	-	20	-	20
(Increase) decrease in due from other Funds	(2,799)	2,611	(600)	(788)
(Increase) decrease in inventories, at cost	24	220	-	244
(Increase) decrease in other current assets	1,691	1,054	-	2,745
(Increase) in other long-term assets	(302)	-	-	(302)
(Decrease) in accounts payable	(522)	(460)	(2,055)	(3,037)
Increase (decrease) in accrued liabilities	3	(657)	67	(587)
(Decrease) in due to local governments	(4,745)	-	-	(4,745)
Increase in due to others	51	81	-	132
Increase (decrease) in due to other Funds	(578)	(364)	357	(585)
Increase (decrease) in deferred revenue	383	-	2,163	2,546
Increase (decrease) in other current liabilities	(1,015)	(11)	135	(891)
Increase in accrued compensated absences	49	53	-	102
Increase (decrease) in accrued insurance losses	5,414	(6,672)	-	(1,258)
(Decrease) in other long-term liabilities	(66)	-	-	(66)
Net Changes in Assets and Liabilities	11,037	(5,759)	8,636	13,914
Net Cash Provided by Operating Activities	58,298	16,117	83,154	157,569
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Interest income	-	-	14	14
Interest expense	(11)	-	-	(11)
Other non-operating revenue	431	680	-	1,111
Operating transfers in	7,031	2,500	2,000	11,531
Operating transfers out	(44,098)	(4,219)	(380)	(48,697)
Operating transfers out to primary government	-	-	-	-
Residual equity transfers	(13,394)	-	-	(13,394)
Bond proceeds	-	-	-	-
Retirement of revenue bonds principal	-	-	-	-
Interest payments under bonds	-	-	-	-
Deferred bond costs	-	-	-	-
Deferred loss on bond retirement	-	-	-	-
Draws under capital grant facility	-	-	-	-
Increase in cash advances for Hoover Uprating Project	-	-	-	-
Net Cash Provided (Used) by Non-capital Financing Activities	(50,041)	(1,039)	1,634	(49,446)

The Notes to the Financial Statements are an integral part of this statement.

COMPONENT UNITS PROPRIETARY AND FIDUCIARY FUND TYPES	TOTAL (MEMORANDUM ONLY) REPORTING ENTITY
$ 8,651	$ 109,668
17,466	37,167
-	22,937
17,466	60,104
(912)	19,596
-	(124)
-	20
-	(788)
(758)	(514)
(212)	2,533
(305)	(607)
(38)	(3,075)
(2,025)	(2,612)
-	(4,745)
-	132
-	(585)
(157)	2,389
(3,970)	(4,861)
279	381
254	(1,004)
(2,578)	(2,644)
(10,422)	3,492
15,695	173,264
-	14
(906)	(917)
167	1,278
-	11,531
-	(48,697)
(19)	(19)
-	(13,394)
64,000	64,000
(67,175)	(67,175)
(8,286)	(8,286)
(681)	(681)
(1,570)	(1,570)
19,639	19,639
(211)	(211)
4,958	(44,488)

(Continued)

STATE OF ARIZONA

COMBINED STATEMENT OF CASH FLOWS

ALL PROPRIETARY FUND TYPES, NON-EXPENDABLE TRUST FUNDS
AND PROPRIETARY AND FIDUCIARY FUND TYPES COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	TOTAL (MEMORANDUM ONLY)
	ENTERPRISE	INTERNAL SERVICE	NON-EXPENDABLE TRUST	PRIMARY GOVERNMENT
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of fixed assets	$ (2,127)	$ (19,875)	$ (724)	$ (22,726)
Retirement of revenue bonds principal	-	-	-	-
Proceeds from sale of fixed assets	25	1,036	-	1,061
Interest payments under certificates of participation or bonds	(581)	-	-	(581)
Principal payments under leases and installment purchases	(1,000)	-	-	(1,000)
Proceeds in funds received by trustee	167	-	-	167
Discount on bonds issued / defeased	-	-	-	-
Pari-mutuel racing receipts	400	-	-	400
Contributions from other Funds	-	1,571	-	1,571
Net Cash (Used) by Capital and Related Financing Activities	(3,116)	(17,268)	(724)	(21,108)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	105,901	-	146,354	252,255
Purchase of investments	(113,787)	-	(247,398)	(361,185)
Interest and dividends on investments	1,012	229	-	1,241
Change in cash collateral received from securities lending transactions	10,666	-	-	10,666
Change in long-term funds held by trustee	-	-	-	-
Net Cash Provided (Used) by Investing Activities	3,792	229	(101,044)	(97,023)
Net Increase (Decrease) in Cash and Cash Equivalents	8,933	(1,961)	(16,980)	(10,008)
Cash and Cash Equivalents - Beginning, as restated	104,804	78,301	86,015	269,120
Cash and Cash Equivalents - Ending	$ 113,737	$ 76,340	$ 69,035	$ 259,112
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE COMBINED BALANCE SHEET				
Cash and Cash Equivalents - Ending	$ 113,737	$ 76,340	$ 69,035	$ 259,112
Long-term investments	224,349	-	973,181	1,197,530
Cash held by trustee	-	-	-	-
State Compensation Fund	-	-	-	-
Cash and investments - Combining Balance Sheet:				
Expendable Trust Funds	-	-	1,107,871	1,107,871
Pension Trust Funds	-	-	33,586,115	33,586,115
Investment Trust Funds	-	-	2,823,446	2,823,446
Agency Funds	-	-	3,136,897	3,136,897
Cash and Investments - Combined Balance Sheet	$ 338,086	$ 76,340	$ 41,696,545	$ 42,110,971
NON-CASH CAPITAL AND FINANCING ACTIVITIES				
Donated equipment	$ 13	$ 434	$ -	$ 447
Fixed asset purchases financed by third parties	-	9,530	-	9,530
Total Non-cash Capital and Financing Activities	$ 13	$ 9,964	$ -	$ 9,977
RESTATEMENT OF BEGINNING CASH AND CASH EQUIVALENTS				
Cash and cash equivalents, June 30, 1999	$ 104,769	$ 78,600	$ 86,015	$ 269,384
Reclassification of Warehouse Revolving Fund	-	(264)	-	(264)
Reclassification of Co-Op State Purchasing Agreement Fund	35	(35)	-	-
Cash and cash equivalents, July 1, 1999, as restated	$ 104,804	$ 78,301	$ 86,015	$ 269,120

The Notes to the Financial Statements are an integral part of this statement.

COMPONENT UNITS PROPRIETARY AND FIDUCIARY FUND TYPES	TOTAL (MEMORANDUM ONLY) REPORTING ENTITY
$ (8,333)	$ (31,059)
(2,106)	(2,106)
-	1,061
-	(581)
-	(1,000)
27	194
83	83
-	400
-	1,571
(10,329)	(31,437)
15,097	267,352
(21,228)	(382,413)
7,469	8,710
-	10,666
346	346
1,684	(95,339)
12,008	2,000
93,796	362,916
$ 105,804	$ 364,916
$ 105,804	$ 364,916
2,157,586	3,355,116
(7,883)	(7,883)
310,165	310,165
-	1,107,871
-	33,586,115
-	2,823,446
-	3,136,897
$ 2,565,672	$ 44,676,643
$ -	$ 447
-	9,530
$ -	$ 9,977
$ 93,796	$ 363,180
-	(264)
-	-
$ 93,796	$ 362,916

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	STATE RETIREMENT	PUBLIC SAFETY	ELECTED OFFICIALS	CORRECTIONS OFFICER	TOTAL
ADDITIONS:					
Member contributions	$ 152,958	$ 52,451	$ 4,164	$ 28,009	$ 237,582
Employer contributions	152,957	46,891	540	16,876	217,264
Member reimbursements	35,348	-	-	-	35,348
Court fees	-	-	3,587	-	3,587
Investment income:					
Net appreciation in fair value of investments	1,625,620	468,156	38,211	75,735	2,207,722
Interest income	236,409	95,879	7,026	13,548	352,862
Dividends	164,225	22,894	1,635	3,322	192,076
Real estate	6,852	-	-	-	6,852
Other	21,610	-	-	-	21,610
Total Investment Income	2,054,716	586,929	46,872	92,605	2,781,122
Security lending activities:					
Securities lending income	67,527	67,275	4,842	9,548	149,192
Borrower rebates	-	(64,944)	(4,661)	(9,219)	(78,824)
Agents share of income	-	(816)	(63)	(115)	(994)
Interest expense	(60,458)	-	-	-	(60,458)
Net Security Lending Income	7,069	1,515	118	214	8,916
Less: Investment Expenses	(26,473)	(311)	(23)	(47)	(26,854)
Net Investment Income	2,035,312	588,133	46,967	92,772	2,763,184
Operating transfers in	-	658	2,083	-	2,741
Total Additions	2,376,575	688,133	57,341	137,657	3,259,706
DEDUCTIONS:					
Retirement and disability benefits	766,782	144,131	14,252	10,707	935,872
Death benefits	13,256	-	-	-	13,256
Refunds to withdrawing members	70,754	5,313	182	14,385	90,634
Administrative expense	13,062	616	60	344	14,082
Operating transfers out	9,641	1,171	95	686	11,593
Other	4,557	-	-	-	4,557
Total Deductions	878,052	151,231	14,589	26,122	1,069,994
Net Increase in Plan Net Assets	1,498,523	536,902	42,752	111,535	2,189,712
Net Assets Held in Trust for Pension Benefits:					
Beginning of year	22,427,082	4,841,649	359,492	696,231	28,324,454
End of year	$ 23,925,605	$ 5,378,551	$ 402,244	$ 807,766	$ 30,514,166

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN NET ASSETS
INVESTMENT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	CENTRAL ARIZONA WATER CONSERVATION DISTRICT	LOCAL GOVERNMENT INVESTMENT POOL	LOCAL GOVERNMENT INVESTMENT POOL-GOVERNMENT	TOTAL
REVENUES				
Interest income	$ 3,875	$ 140,923	$ 13,378	$ 158,176
Net increase (decrease) in fair value	(62)	676	38	652
Total Revenues	3,813	141,599	13,416	158,828
EXPENSES				
Management fees	24	1,883	193	2,100
Total Expenses	24	1,883	193	2,100
Net Investment Income	3,789	139,716	13,223	156,728
DISTRIBUTIONS TO PARTICIPANTS				
Distributions paid and payable	(3,789)	(139,716)	(13,223)	(156,728)
SHARE TRANSACTIONS AT NET ASSET VALUE OF $1.00				
Purchase of units	10,553	2,912,302	232,123	3,154,978
Reinvestment of interest	1,856	128,118	12,730	142,704
Sale of units	(9,741)	(3,003,539)	(213,587)	(3,226,867)
Net Increase in Net Assets From Share Transactions	2,668	36,881	31,266	70,815
Net Assets Held in Trust for Pool Participants:				
Beginning of year	187,291	2,378,646	207,936	2,773,873
End of year	$ 189,959	$ 2,415,527	$ 239,202	$ 2,844,688

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA

COMBINED STATEMENT OF CHANGES IN FUND BALANCES

UNIVERSITY FUNDS

FOR THE YEAR ENDED JUNE 30, 2000

(Expressed in Thousands)

	CURRENT OPERATING FUNDS				
	UNRESTRICTED				TOTAL
	GENERAL OPERATING FUNDS	DESIGNATED FUNDS	AUXILIARY ENTERPRISES FUNDS	RESTRICTED FUNDS	CURRENT OPERATING FUNDS
REVENUES AND OTHER ADDITIONS					
Unrestricted current revenues	$ 271,737	$ 300,593	$ 221,750	$ -	$ 794,080
Tuition and fees	-	-	-	237	237
Governmental grants and contracts	-	-	-	381,251	381,251
Private gifts, grants and contracts	-	-	-	99,595	99,595
Conveyance of property	-	-	-	-	-
Investment and endowment income	-	-	-	8,197	8,197
Additions to plant facilities including $96,621 charged to current funds expenditures and ownership transfers of $791	-	-	-	-	-
Retirement of indebtedness including $231 charged to current funds expenditures	-	-	-	-	-
Other additions	-	-	-	1,018	1,018
Total Revenues and Other Additions	271,737	300,593	221,750	490,298	1,284,378
EXPENDITURES AND OTHER DEDUCTIONS					
Educational and general expenditures	946,211	215,514	-	419,808	1,581,533
Auxiliary enterprises expenditures	-	-	190,929	-	190,929
Indirect costs recovered	-	-	-	71,471	71,471
Cancellation of loans and provision for bad debts	-	-	-	-	-
Administrative and collection costs	-	-	-	-	-
Expended for plant facilities including expenditures not capitalized of $4,196	-	-	-	-	-
Interest on indebtedness, including $450 capitalized as construction in progress	-	-	-	-	-
Loss on sale of donated land	-	-	-	-	-
Disposal of plant facilities	-	-	-	-	-
Retirement of indebtedness	-	-	-	-	-
Other deductions	-	-	-	666	666
Total Expenditures and Other Deductions	946,211	215,514	190,929	491,945	1,844,599
TRANSFERS AMONG FUNDS AND ADDITIONS (DEDUCTIONS)					
State General Fund appropriations	743,132	-	-	1,187	744,319
Mandatory loan fund and matching grants	-	(370)	-	351	(19)
Mandatory debt indenture requirements	(583)	(48,943)	(17,082)	(60)	(66,668)
Other mandatory	(66,582)	(3,207)	(193)	2,709	(67,273)
Voluntary, net	(499)	(19,831)	(14,208)	7,882	(26,656)
Net Transfers Among Funds	675,468	(72,351)	(31,483)	12,069	583,703
Net Increase (Decrease) for the Year	994	12,728	(662)	10,422	23,482
Beginning Fund Balances	23,423	128,292	50,583	53,128	255,426
Ending Fund Balances	$ 24,417	$ 141,020	$ 49,921	$ 63,550	$ 278,908

The Notes to the Financial Statements are an integral part of this statement.

NON-OPERATING FUNDS						TOTAL ALL FUNDS (MEMORANDUM ONLY)
		PLANT FUNDS				
STUDENT LOAN FUNDS	ENDOWMENT AND SIMILAR FUNDS	UNEXPENDED PLANT FUNDS	DEBT SERVICE FUNDS	INVESTMENT IN PLANT	TOTAL PLANT FUNDS	
$ -	$ -	$ -	$ -	$ -	$ -	$ 794,080
-	920	-	680	-	680	1,837
387	17	1,975	47	-	2,022	383,677
34	2,158	7,071	-	7,085	14,156	115,943
-	-	-	-	27,616	27,616	27,616
306	(5,414)	489	5,447	-	5,936	9,025
-	-	-	-	213,805	213,805	213,805
-	-	-	-	35,841	35,841	35,841
992	1,018	8,701	143	4,900	13,744	16,772
1,719	(1,301)	18,236	6,317	289,247	313,800	1,598,596
-	-	-	-	-	-	1,581,533
-	-	-	-	-	-	190,929
54	-	-	-	-	-	71,525
1,398	-	-	-	-	-	1,398
251	-	-	26	-	26	277
-	-	120,139	-	-	120,139	120,139
-	-	-	41,277	-	41,277	41,277
-	298	-	-	-	-	298
-	-	-	-	66,232	66,232	66,232
-	-	-	35,610	-	35,610	35,610
46		5,004	1,041	552	6,597	7,309
1,749	298	125,143	77,954	66,784	269,881	2,116,527
50	204	9,028	-	-	9,028	753,601
19	-	-	-	-	-	-
-	-	(592)	67,260	-	66,668	-
16	-	86	5,745	-	5,831	(61,426)
5	6,871	82,855	3,052	(66,127)	19,780	-
90	7,075	91,377	76,057	(66,127)	101,307	692,175
60	5,476	(15,530)	4,420	156,336	145,226	174,244
35,787	219,915	69,183	27,462	2,325,620	2,422,265	2,933,393
$ 35,847	$ 225,391	$ 53,653	$ 31,882	$ 2,481,956	$ 2,567,491	$ 3,107,637

STATE OF ARIZONA
COMBINED STATEMENT OF CURRENT OPERATING FUNDS
REVENUES, EXPENDITURES AND OTHER CHANGES
UNIVERSITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	UNRESTRICTED FUNDS				
	GENERAL OPERATING FUNDS	DESIGNATED FUNDS	AUXILIARY ENTERPRISES FUNDS	TOTAL UNRESTRICTED FUNDS	RESTRICTED FUNDS
REVENUES					
Tuition and fees	$ 265,270	$ 145,458	$ 9,108	$ 419,836	$ 213
Governmental grants and contracts	4,086	65,003	211	69,300	311,818
Private gifts, grants and contracts	-	23,926	9,553	33,479	91,530
Investment and endowment income	-	21,992	420	22,412	7,138
Sales and services of auxiliary enterprises	-	-	199,352	199,352	-
Internal services	-	-	3,046	3,046	-
Other	2,381	44,214	60	46,655	7,671
Total Revenues	271,737	300,593	221,750	794,080	418,370
EXPENDITURES					
Educational and general:					
Instruction	428,352	67,732	-	496,084	30,488
Research	62,894	20,011	-	82,905	237,819
Public service	20,579	6,779	-	27,358	54,979
Academic support	150,610	22,480	-	173,090	2,104
Student services	47,291	18,040	-	65,331	5,195
Institutional support	90,111	45,724	-	135,835	910
Operation and maintenance of plant	91,406	9,210	-	100,616	81
Scholarships and fellowships	54,968	25,538	-	80,506	88,232
Total Educational and General Expenditures	946,211	215,514	-	1,161,725	419,808
Auxiliary enterprises	-	-	190,929	190,929	-
Total Expenditures	946,211	215,514	190,929	1,352,654	419,808
MANDATORY TRANSFERS					
Debt indenture requirements	(583)	(48,943)	(17,082)	(66,608)	(60)
Loan fund and matching grants	-	(370)	-	(370)	351
Other mandatory	(66,582)	(3,207)	(193)	(69,982)	2,709
Total Net Mandatory Transfers	(67,165)	(52,520)	(17,275)	(136,960)	3,000
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)					
State General Fund appropriations	743,132	-	-	743,132	1,464
Restricted receipts over transfers to revenues	-	-	-	-	180
Voluntary transfers, net	(499)	(19,831)	(14,208)	(34,538)	7,882
Other	-	-	-	-	(666)
Total Other Transfers and Additions (Deductions)	742,633	(19,831)	(14,208)	708,594	8,860
Net Increase (Decrease) in Fund Balances	$ 994	$ 12,728	$ (662)	$ 13,060	$ 10,422

The Notes to the Financial Statements are an integral part of this statement.

	TOTAL CURRENT OPERATING FUNDS
$	420,049
	381,118
	125,009
	29,550
	199,352
	3,046
	54,326
	1,212,450
	526,572
	320,724
	82,337
	175,194
	70,526
	136,745
	100,697
	168,738
	1,581,533
	190,929
	1,772,462
	(66,668)
	(19)
	(67,273)
	(133,960)
	744,596
	180
	(26,656)
	(666)
	717,454
$	23,482

STATE OF ARIZONA
STATEMENTS OF OPERATIONS
AND CHANGES IN POLICYHOLDERS' SURPLUS
COMPONENT UNIT
STATE COMPENSATION FUND
FOR THE YEAR ENDED DECEMBER 31, 1999
(Expressed in Thousands)

Premiums earned	$	180,119
Compensation and medical benefits and loss expenses incurred		197,130
Underwriting and administrative expenses		18,174
Taxes and fees		2,622
Total Expenses		217,926
Net underwriting loss		(37,807)
Realized gain on investments sold		22,352
Other investment income		142,365
Investment expense		(5,227)
Net investment income		159,490
Other expense		(1,655)
NCCI assigned risk pool income		4,086
Net income before policyholders' dividends		124,114
Provision for policyholders' dividends		(81,500)
Net Income	$	42,614

STATEMENT OF CHANGES
IN POLICYHOLDERS' SURPLUS

Balance, beginning of year, as restated	$	562,535
Net income		42,614
Net unrealized capital losses		(199,905)
Balance, end of year	$	405,244

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF CASH FLOWS
COMPONENT UNIT
STATE COMPENSATION FUND
FOR THE YEAR ENDED DECEMBER 31, 1999
(Expressed in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	$	42,614
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization		2,480
Net (gain) on sale of investments		(22,352)
Loss on sale of fixed assets		275
Amortization of bond discount and premium		(41,265)
Total Adjustments		(60,862)
Changes in assets and liabilities:		
Decrease in short-term investments, net of obligation to repay collateral		5,063
Decrease in receivables, net of allowances		3,916
(Increase) in insurance recoverables		(6,198)
Decrease in other current assets		183
(Decrease) in accrued liabilities		(724)
(Decrease) in deferred revenue		(3,384)
Increase in accrued insurance losses		21,723
(Decrease) in NCCI assigned risk pool liability		(5,216)
Increase in policyholders' dividends		967
Net Changes in Assets and Liabilities		16,330
Net Cash (Used) by Operating Activities		(1,918)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of fixed assets		(1,689)
Proceeds from sale of fixed assets		985
Net Cash (Used) by Capital and Related Financing Activities		(704)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments		392,163
Purchase of investments		(380,980)
Net Cash Provided by Investing Activities		11,183
Net Increase in Cash and Cash Equivalents		8,561
Cash and Cash Equivalents - Beginning, as restated		347
Cash and Cash Equivalents - Ending	$	8,908
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE COMBINED BALANCE SHEET		
Cash and Cash Equivalents - Ending	$	8,908
Short-term investments		301,257
Long-term investments		2,157,586
Cash and investments - Combining Balance Sheet:		
University Medical Center		44,508
Arizona Power Authority		11,235
Water Infrastructure Financing Authority		42,178
Cash and Investments - Combined Balance Sheet	$	2,565,672
RESTATEMENT OF BEGINNING CASH AND CASH EQUIVALENTS		
Cash and cash equivalents, December 31, 1998	$	31,310
Restatement to GAAP basis		(30,963)
Cash and cash equivalents, January 1, 1999, as restated	$	347

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the State of Arizona (the State) have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to governmental units.

The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. GASB's Codification of Governmental Accounting and Financial Reporting Standards documents these principles. The State's significant accounting policies are as follows:

Amounts in the "Total - Memorandum Only" columns in the accompanying financial statements represent a summation of the combined financial statement line items. These are presented for analytical purposes only. Consequently, amounts shown in the "Total - Memorandum Only" columns are not comparable to a consolidation, and they do not represent the total resources available, total liabilities and fund balances or total revenues and expenditures/expenses of the State. Interfund eliminations have not been made in the aggregation of this data.

All financial information of the reporting entity is for the fiscal year ended June 30, 2000, except for the State Compensation Fund. The State Compensation Fund's financial information is for the calendar year ended December 31, 1999.

B. FINANCIAL REPORTING ENTITY

The accompanying financial statements include financial transactions of all funds, account groups, elected offices, agencies, boards, commissions and authorities. The State has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State.

As required by generally accepted accounting principles, these financial statements present the State of Arizona (the primary government) and its component units. The component units are included in the State's reporting entity because of the significance of their operational or financial relationships with the State.

The State reporting entity does not include counties, municipalities, school districts, community colleges, the Central Arizona Water Conservation District or other political subdivisions of the State over which the State exercises little, if any, financial accountability.

1. Blended Component Units

The following component units have been presented as blended component units because the component units' governing body is substantially the same as the governing body of the State, or the component unit provides services almost entirely to the primary government. Consequently, they are reported as part of the State and blended into the fiduciary funds.

* Arizona State Retirement System (ASRS) - The ASRS is a cost-sharing, multiple-employer, public employee retirement system that provides for retirement, health insurance premium benefits, and death and survivor benefits for employees of the State and employees of participating political subdivisions and school districts. ASRS is governed by a seven-member board that is appointed by the Governor and approved by the Senate to serve three-year terms.

* Public Safety Personnel Retirement System (PSPRS) - The PSPRS is an agent, multiple-employer, public employee retirement system that benefits fire fighters and police officers employed by the State and its political subdivisions. The PSPRS is jointly administered by the Fund Manager and 173 local boards. The Fund Manager is a five-member board of which three members are appointed by the Governor and two members are appointed by the State Legislature. All members serve a fixed three-year term. Each eligible group participating in the system has a five-member local board. All members serve a fixed four-year term.

* Elected Officials' Retirement Plan (EORP) - The EORP is a cost-sharing, multiple-employer, public employee retirement plan that benefits all State and county elected officials and judges and certain elected city officials. The EORP is administered by a five-member board of which three members are appointed by the Governor and two members are appointed by the State Legislature. All members serve a fixed three-year term.

* Corrections Officer Retirement Plan (CORP) - The CORP is an agent, multiple-employer, public employee retirement plan that benefits county detention officers and certain employees of the State's Department of Corrections and Department of Juvenile Corrections. The CORP is jointly administered by the Fund Manager of the PSPRS and 12 local boards. Each employer participating in the CORP has a five member local board. All members serve a fixed four-year term.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Discretely Presented Component Units

The State Compensation Fund, University Medical Center, the Arizona Power Authority and the Water Infrastructure Finance Authority are component units that are legally separate from the State, but are either financially accountable to the State, and/or the State is able to impose its will on the organizations.

The Component Units - Proprietary and Fiduciary Fund Types column of the combined financial statements includes the financial data of the State Compensation Fund, the University Medical Center, the Arizona Power Authority and the Water Infrastructure Finance Authority. Individual component unit disclosures are included throughout the notes to these financial statements. Separately issued independent audit reports may be obtained from the addresses presented below.

* State Compensation Fund - The State Compensation Fund was established by the Legislature for the purpose of insuring employers against liability for workers' compensation; occupational disease compensation; and medical, surgical and hospital benefits. The State Compensation Fund is governed by a board of directors that consists of five members appointed by the Governor for staggered terms of five years. Annually the Governor appoints a chairman from among the board members. The State is required by statute to review and approve the operating and capital outlay budget of the State Compensation Fund.

  State Compensation Fund
  3031 North 2nd Street
  Phoenix, Arizona 85012
  (602) 631-2000

* University Medical Center (the Center) - The Center is a 365-bed, general acute care, teaching medical facility in Tucson, Arizona. The Center is the primary teaching hospital for the College of Medicine, College of Nursing and the College of Pharmacy for the University of Arizona. In 1984, the Arizona Legislature passed a bill that enabled the Arizona Board of Regents to convey the Center to a private not-for-profit, tax-exempt corporation. Although an autonomous entity was created, the teaching missions and research alliances with the University of Arizona and the State of Arizona remained with the Center. Appointments of members of the Board of Directors are confirmed by the Arizona Board of Regents. The Arizona Legislature has limited both the number of Regents and the number of State employees allowed to serve on the Board of Directors.

  The University Medical Center
  655 East River Road
  Tucson, Arizona 85704
  (520) 694-2700

* Arizona Power Authority (APA) - The APA purchases the State's allocation of Hoover power and resells it to Arizona entities that are eligible purchasers under federal and state laws. Hoover power is produced by the Bureau of Reclamation at the federally owned Boulder Canyon Project hydropower plant, located near Las Vegas, Nevada. The APA is governed by a commission of five electors appointed by the Governor and approved by the Senate. The term of office of each member is six years and the members select a chairman and vice-chairman from among its membership for two-year terms.

  The Arizona Power Authority
  1810 West Adams Street
  Phoenix, Arizona 85007-2697
  (602) 542-4263

* Water Infrastructure Finance Authority (WIFA) - The WIFA is authorized to administer the Clean Water Revolving Fund and the Drinking Water Revolving Fund. The Clean Water Revolving Fund was created pursuant to the Federal Water Pollution Control Act of 1972, as amended by the Water Quality Act of 1987 (Clean Water Act), which required the State to establish the Clean Water Revolving Fund to accept federal capitalization grants for publicly owned wastewater treatment projects. The WIFA has also entered into an agreement with the Environmental Protection Agency to administer the Drinking Water Revolving Fund pursuant to the Safe Drinking Water Act. The WIFA is governed by a twelve-member board of directors appointed by the Governor. The directors serve staggered terms of five years.

  The Water Infrastructure Finance Authority
  202 East Earll Drive, Suite 480
  Phoenix, Arizona 85012
  (602) 230-9770

3. Joint Venture

As discussed in more detail in Note 14, the State participates in a joint venture. The State does not include the financial activities of this organization in its financial statements in conformity with GASB Statement 14.

4. Related Organizations

The following related organizations, for which the State appoints a voting majority of their governing boards, are not part of the reporting entity based on the criteria of GASB Statement No. 14 and therefore, financial information pertaining to these entities has not been included.

* Arizona Health Facilities Authority (the Authority) - The Authority was established to issue tax-exempt bonds for the purpose of reducing health care costs and improving health care for Arizona residents by providing less expensive financing for health care institutions. Proceeds from bond

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

issues are loaned to various qualifying nonprofit health care institutions. The health care institutions reimburse the Authority for expenses for issuance of the bonds, pay fees of the Authority, and make payments under the loans for the benefit of the holders of the bonds. The Authority is governed by a seven-member board of directors that is appointed by the Governor and approved by the Senate. The directors serve staggered terms of seven years.

* Social Service Contractors Indemnity Pool (the Pool) - The Pool is a nonprofit corporation that provides property and liability insurance coverage to social service agencies contracted by the State of Arizona. The Pool was capitalized with a one million dollar appropriation from the State, which is reported as restricted capital in the Pool's financial statements.

* Arizona International Development Authority (the Authority) - This Authority was established to facilitate the development of international trade or commerce between Arizona and other countries. The Authority is governed by a board of directors consisting of seven members appointed by the governor. The directors serve terms of five years.

C. FUND STRUCTURE

The State uses approximately 1,900 accounting funds. Each accounting fund is a separate accounting entity with its own self-balancing set of accounts that represent its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual accounting funds depending upon the purposes for which the State collects revenues or expends resources, and the means by which the State controls spending activities. For the purpose of preparing financial statements, the accounting funds have been combined by fund type. Any transactions between funds within a fund type have not been eliminated. Account groups are used to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The four major fund types, two account groups and component units are described below:

1. Governmental Fund Types

The General Fund accounts for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds account for financial resources used to acquire or construct major capital facilities (other than those financed by Proprietary Funds, Non-Expendable Trust Funds, Pension Trust Funds, University Funds or Component Units).

2. Proprietary Fund Types

Enterprise Funds account for operations (1) financed and operated in a manner similar to private business enterprises, where the State intends that the cost of providing goods or services to the general public be financed or recovered primarily through service charges, or (2) where the State decides that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds account for the financing of goods and services provided by one State department or agency to other State departments or agencies on a cost-reimbursement basis. During fiscal year 2000, the Workers' Compensation Fund was combined into the Risk Management Fund.

Only those applicable FASB Statements and Interpretations, APB Opinions, and ARBs issued on or before November 30, 1989, are applied unless those pronouncements conflict with or contradict GASB pronouncements.

3. Fiduciary Fund Types

Expendable Trust Funds account for assets held by the State in a trustee capacity, where principal may be expended in the course of the funds' designated operations.

Non-Expendable Trust Funds account for assets held by the State in a trustee capacity, where the State must preserve the principal intact, and may expend only income derived from the principal for the funds' designated operations.

Pension Trust Funds account for transactions of the four public employee retirement systems for which the State acts as trustee.

Investment Trust Funds account for transactions by local governments and political subdivisions that elect to participate in the State Treasurer's investment pools. The Treasurer acts as Trustee for the original deposits made into the investment pools.

Agency Funds account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the State, where the State acts as an agent for distribution to other governmental units or organizations.

4. University Funds

University Funds account for transactions of the State's three universities. For State reporting purposes, the University Funds combine the balances of each university's separate financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The University Funds include:

* Current Operating Funds account for unrestricted resources over which the governing board retains full control in achieving the institutions' purposes and restricted resources that may be used only in accordance with externally restricted purposes.
* Loan Funds account for loans made to assist students in financing their education.
* Endowment and Similar Funds account for private gifts that specify income purpose and principal protection and assets for which the universities act in a custodial manner.
* Plant Funds account for institutional property investment, acquisition, renewal, replacement and debt service.

5. General Fixed Assets Account Group

Fixed assets used in Governmental and Expendable Trust Fund operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in the individual funds. Fixed assets related to Proprietary Funds, Non-Expendable Trust Funds, Pension Trust Funds, University Funds and Component Units are accounted for in those funds.

6. General Long-Term Debt Account Group

The General Long-Term Debt Account Group reflects long-term liabilities expected to be retired with Governmental and Expendable Trust Fund resources. Liabilities related to Proprietary Funds, Non-Expendable Trust Funds, Pension Trust Funds, University Funds and Component Units are accounted for in those funds.

7. Component Units

The Component Units include proprietary and fiduciary type organizations that are legally separate from the State but are considered part of the reporting entity.

D. BASIS OF ACCOUNTING

1. Overview

The measurement focus of the financial statements for the Governmental Funds and Expendable Trust Funds is the flow of current financial resources, measured by the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and other financial resources are recognized in the accounting period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. Expenditures and other uses of financial resources are recognized when the related fund liability is incurred.

The measurement focus of the financial statements for the Proprietary Funds, Non-Expendable Trust Funds, Pension Trust Funds, Investment Trust Funds and Proprietary and Fiduciary Fund Types Component Units is the flow of economic resources, measured by the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Agency Funds are custodial in nature, and therefore, do not present results of operations or have a measurement focus.

The measurement focus of the financial statements of the University Funds is the flow of total financial resources measured by the accrual basis of accounting in accordance with generally accepted accounting principles prescribed by the American Institute of Certified Public Accountants.

2. Revenue Recognition - Governmental Fund Types

The State recognizes tax revenues and related receivables when the taxpayer incurs the corresponding liability, and the payment has been demanded, provided the State can reasonably estimate the amount of revenue to which it is entitled and can reasonably establish its collectibility (i.e., earned and collected or expected to be collected within the next 31 days). Otherwise, the State defers recognizing revenue until cash is received. Major revenues determined to be susceptible to accrual include income, sales, unemployment, and motor vehicle and fuel taxes. Any receivables not collected within the next 31 days are recorded as deferred revenue.

The State estimates the amount of taxes that will ultimately be uncollectible and excludes these from revenues. Tax refunds are based upon actual payments made within 31 days after fiscal year end and are recorded as a liability and a reduction in related revenue.

Property taxes are levied on the third Monday in August. The first half of collections are due October 1 and the second half are due the following March 1. Any property tax collections received within 31 days after fiscal year end are recognized as revenue. The lien date is the first day of January each year.

Federal grants and reimbursements are recorded as intergovernmental receivables and revenues when the State incurs the related expenditures or expenses, provided the State has complied with the terms of the grant award. Revenues from Federal entitlement awards are recorded as intergovernmental receivables and revenues when entitlement occurs.

Revenue from non-refundable licenses, permits and similar fees is recorded when cash is received. Other revenues are recorded when earned, or when the State becomes entitled to the revenue and can establish its collectibility; otherwise, the State defers recognition of revenue until cash is received.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Expenditure Recognition - Governmental Fund Types

The State recognizes expenditures and related liabilities in the accounting period the liability is incurred to the extent it is expected to be paid within the next 12 months, as a result of receiving property, goods or services, or when the beneficiary of a State program becomes entitled to receive benefits. Exceptions to this rule are:

* The State does not recognize a liability or the related expenditure for expected future welfare, health and similar benefits if the beneficiary is entitled to benefits solely because of a current condition.
* The State recognizes interest in the Debt Service Funds to the extent it becomes payable during the current fiscal year.
* The State recognizes compensated absences in the period paid. The amounts to be paid in the current period are insignificant and therefore recorded with the long-term portion in the General Long Term-Debt Account Group.
* The State recognizes a liability and the related expenditures for the accrued insurance losses of the Arizona Health Care Cost Containment System as they are incurred, regardless of when these expenditures are actually paid.

The portion of the liabilities that is expected to be paid beyond 12 months is recorded in the General Long-Term Debt Account Group.

E. VALUATION POLICIES

1. Cash and Cash Equivalents

Cash and cash equivalents include undeposited receipts, petty cash, bank accounts, non-negotiable certificates of deposit and collateral investment pools related to securities lending transactions.

2. Investments

Investments are stated at fair value or amortized cost which approximates fair value, except for mortgages held by the State Compensation Fund, which are stated at unpaid principal balance plus or minus amortization of premium or discount and the Treasurer's Custodial Securities of the Agency Funds, which are reported at par value.

3. Inventories

Inventories consist of expendable supplies held for consumption in all funds, and merchandise intended for sale to customers in the Proprietary Funds and University Funds. Inventories are stated at cost, using the first-in, first-out method. In Governmental Funds, inventories are accounted for using the purchase method. Under this method, inventories are recorded as an expenditure as they are purchased. However, the Arizona Department of Transportation State Highway Fund, reported as a Special Revenue Fund, is accounted for using the consumption method. Under this method, inventories are recorded as expenditures as they are used.

4. General Fixed Assets

Fixed assets capitalized in the General Fixed Assets Account Group are recorded at the time of purchase as capital outlay or other expenditures in the funds from which the expenditures are made. Such assets are capitalized at historical cost. Donated fixed assets are recorded at estimated fair market value on the date of contribution. Public domain (infrastructure) general fixed assets consisting of roads and bridges are not capitalized, as these assets are immovable and of value only to the government. The State does not record depreciation on general fixed assets.

5. Proprietary and Similar Trust Fund Fixed Assets

Fixed assets acquired in Proprietary and Similar Trust Funds are capitalized at historical cost. Donated fixed assets are recorded at estimated fair market value on the date of contribution. Depreciation is charged against operations in Proprietary and Similar Trust Funds on a straight-line basis. over the estimated useful lives of the assets.

The State is trustee for approximately 9.3 million acres of land acquired through U.S. Government land grants. The State acquired a substantial portion of this land at no cost to the State, and its fair market value has not been reliably estimated. Accordingly, this land is not reported on the accompanying financial statements. A portion of the land that the State is trustee for has been sold and the buyers of the land have defaulted on the loans. The value of this land has been recorded at the sales price and properly included in the Non-Expendable Trust Funds fixed assets.

The State holds land and other assets in trust for the benefit of its public schools and other public institutions. The trust requires the principal to be held intact with only interest and rentals of property distributed for current operations. Accordingly, certain revenues, including gains on the sale of property, are added to principal rather than distributed for current operations. In addition, the State Constitution provides that certain State revenues be added to the principal of the trust. In fiscal year 2000, the trust distributed all monies eligible for distribution to aid the State's educational system and other public institutions.

6. University Fixed Assets

Fixed assets capitalized in the University Funds are recorded at historical cost. Donated fixed assets are recorded at fair market value on the date of contribution. The University Funds do not record depreciation on fixed assets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Leases

The State has entered into capital lease agreements for land, buildings, machinery and equipment. Although the terms of these leases vary, most are subject to annual appropriations by the Legislature. If a legislative appropriation is reasonably assured and the intent of the State is to continue the lease, a capital lease is considered non-cancelable for financial reporting purposes.

Assets acquired through capital leases are valued at cost. Capital leases for the Governmental Funds are reported in the General Long-Term Debt Account Group and the related assets are reported in the General Fixed Assets Account Group. Capital leases for the Proprietary, Similar Trust Funds and University Funds are reported in those funds as a long-term obligation, together with the related assets.

The State also leases land, buildings and equipment under operating leases. The related assets are not capitalized. Operating lease obligations are recorded when incurred as rental expenditures or expenses of the related funds.

F. BUDGETS AND BUDGETARY ACCOUNTING

1. Budget Process

Biennially, no later than five days after the regular session of the Legislature convenes, the Governor must submit to the Legislature for approval a proposed operating and capital outlay budget for the succeeding two fiscal years. The Legislature must approve the budget by passing a general and a capital outlay appropriation bill. The enacted budgets contain specific departmental line-item appropriations, the legal level of budgetary control. Line-item appropriations are established within funds by program or major object of expenditure. The Governor may veto any item in an appropriation bill. Such vetoes are subject to legislative override. The budget can be amended throughout the year by special legislative appropriations and/or budget transfers. The State's Constitution prohibits budgeted expenditures from exceeding 7.41 percent of aggregate personal income as estimated by the Economic Estimates Commission.

Funds that have legal budgets include the General Fund; the Special Revenue Funds (except for minor funds); State appropriations to the Lottery Fund, the Exposition and State Fair Fund and the State Home for Veterans (Enterprise Funds); certain Expendable, Non-Expendable and Pension Trust Funds, and State appropriations to the University Funds. However, Federal resources included in these Funds are not appropriated. State agencies are responsible for exercising budgetary control and ensuring that expenditures do not exceed appropriations. The State Department of Administration - Financial Services Division exercises oversight and does not disburse funds in excess of appropriations.

The State prepares its biennial budget on the cash basis of accounting. Encumbrances as of June 30 can be liquidated during a four-week administrative period known as the 13th month. Anticipated revenue is estimated on the cash basis but is not part of the legally adopted budget. Consequently, the Combined Statement of Revenues and Expenditures – Appropriation (Budget) to Actual – Budgetary Basis – General Fund and Special Revenue Funds compares only budget to actual expenditures. Furthermore, this document presents the comparisons on the budgetary basis and at a high level of aggregation because the details at the legal level of budgetary control would be extremely lengthy and cumbersome. Compliance with legal level of budgetary control is demonstrated in a separate document. In addition, the capital outlay appropriation bill is entirely for the General Fund and is included with the General Fund in the Combined Statement of Revenues and Expenditures – Appropriation (Budget) to Actual – Budgetary Basis – General Fund and Special Revenue Funds.

The State prepares a separate document, "Annual Financial Report for the Fiscal Year Ending June 30, 2000," that includes schedules that demonstrate compliance with the legal level of budgetary control. A copy of this report is available from the State Department of Administration, Financial Services Division, General Accounting Office.

During the fiscal year, $850.881 million in supplemental appropriations net of adjustments and reversions were provided to enhance various programs. The General Fund and Special Revenue Funds received $495.203 and $66.546 million, respectively, and those amounts are included in the financial statements.

The restatement of beginning fund balance is due to a change in the method used to compile the Combined Statement of Revenues and Expenditures – Appropriation (Budget) to Actual – Budgetary Basis – General Fund and Special Revenue Funds.

2. Reconciliation of Budgetary Basis with GAAP Basis

The State budgets on a cash basis, but annually reports its financial condition according to generally accepted accounting principles (GAAP). The Combined Statement of Revenues and Expenditures – Appropriation (Budget) to Actual – Budgetary Basis – General Fund and Special Revenue Funds is compiled on the budgetary basis. This Statement includes all the current year expenditures for the General Fund and the Special Revenue Funds that are legislatively authorized annually, continually, or by project. However, reports based on GAAP include additional expenditures and activities, such as Federal grant activity that has no appropriations, and Funds that were not accounted for on the cash basis. Consequently, Note 2 provides a reconciliation of budgetary basis fund balances and fund equity reported on the modified accrual basis in accordance with GAAP.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

3. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded to reserve that portion of the applicable appropriation, is an extension of formal budgetary control. The Department of Administration - Financial Services Division is authorized to draw warrants against the available balances of appropriations for one month after the end of the fiscal year to pay for goods or services received but not paid for at the close of the fiscal year.

Encumbrances outstanding more than one month after year end for goods or services that were not received before year end are canceled. These can only be paid upon a subsequent appropriation by the Legislature. Encumbrances for goods and services received before year end can be paid in the subsequent year with the previous year appropriations.

One month after year end, the remaining available appropriations lapse and no further payments may be made except for continuing appropriations allowed under Arizona Revised Statutes (ARS) §35-190. Continuing appropriations primarily relate to multi-year commitments and automatically renew without further legislative action until altered or revoked.

G. STATE COMPENSATION FUND

Significant accounting policies relating to the State Compensation Fund include:

1. Policyholders' Dividends

The Board of Directors of the State Compensation Fund makes provisions for dividends to policyholders based on the Fund's overall experience. Dividends are paid to policyholders that meet premium volume and loss experience criteria established by the Board. Dividends recorded at December 31, 1999 include $81.50 million declared in March 1999.

2. Reinsurance

The State Compensation Fund is assigned certain policyholders that participate in the National Council on Compensation Insurance (NCCI) assigned risk pool. All premiums collected on such policies are ceded to NCCI. All losses incurred by the Fund on such policies are recoverable from NCCI. In addition, the Fund is assigned a pro rata allocation of the liability for loss and loss expenses incurred by all NCCI policyholders in the State. Losses of other policyholders in excess of specified amounts are recoverable from other reinsurers. Contracts with these reinsurers do not relieve the Fund of its obligation to policyholders.

NOTE 2. RECONCILIATION OF FUND EQUITY - BUDGETARY TO GAAP

The accompanying "Combined Statement of Revenues and Expenditures - Appropriation (Budget) to Actual - Budgetary Basis - General and Special Revenue Funds" presents comparisons of the legally adopted budget with actual data on the budgetary basis.

The Statement presents actual amounts for revenues, transfers in and other financing sources/uses. The Statement also includes appropriations authorized in one fund and transferred, by legislation, to another fund. The State does not have a legally adopted budget for revenues; therefore, only budgeted expenditures are presented on the "Combined Statement of Revenues and Expenditures - Appropriation (Budget) to Actual - Budgetary Basis - General and Special Revenue Funds." Since the budgetary and GAAP presentations of actual data differ, a reconciliation of the two follows (amounts expressed in thousands):

	Total Budgetary Fund Classifications	General Fund	Special Revenue Funds
Perspective Differences			
Budgetary / Legal Basis Annual Report			
General Fund	$ 747,338	$ 747,338	$ -
Special Revenue Funds	2,710,996	-	2,710,996
Activities treated as certain funds for budgetary purposes that are reclassified into different funds for GAAP purposes	601,188	473,970	127,218
Non-appropriated expenditures and appropriation transfers	(1,632,773)	-	(1,632,773)
Total budgetary fund balances reclassified into GAAP statement fund structure	$ 2,426,749	1,221,308	1,205,441
Basis of Accounting Differences			
Increases to Fund Balance:			
Taxes receivable, net of allowances		412,808	12,229
Interest receivable		14,318	2,132
Due from U.S. Government		-	16,302
Other assets		541	(277)
Due from other Funds		3,085	-
Decreases to Fund Balance:			
Accounts payable		31,526	32,992
Accrued liabilities		16,172	2,715
Due to local governments		68,673	-
Due to others		49,417	4,000
Due to other Funds		111	-
Deferred revenue		8,042	469
Accrued insurance losses		41,854	3,094
Other liabilities		1,338	(4,816)
Total GAAP Basis Fund Balances, June 30, 2000		$ 1,434,927	$ 1,197,373

NOTE 3. CASH AND INVESTMENTS

A. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are under the control of the State Treasurer, the retirement systems or other administrative bodies. The State invests any temporary surpluses of cash pursuant to ARS §35-312 Investment of Treasury Monies, ARS §35-313 Investment of Trust Monies and ARS § 35-314 Investment of Permanent Endowment Monies. Cash deposited with the State Treasurer by State agencies with a statutory authorization to invest and all general fund monies is invested by the Treasurer in a pooled fund. Any interest earned is allocated monthly into each respective fund based on average daily cash balances.

The State Treasurer invests in short-term securities and other investments. Provisions of Arizona law restrict these investments to obligations of the U.S. Government and its agencies, obligations of the State and certain local government subdivisions, interest-bearing savings accounts and certificates of deposits, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities.

The State Treasurer also invests in various mortgage-backed securities for fifteen of the twenty-one investment pools it manages. These securities are reported at fair value on the balance sheet. In addition, they are reported in aggregate as U.S. Government securities. The securities are purchased to diversify the State's exposure to maturity and credit risks while providing for enhanced yields. The credit risk associated with holding these securities is reduced since all securities are rated AAA by Standard and Poor's and/or Moody's rating service. The market risk associated with holding these securities is linked to maturity risk in that as interest rates rise, the fair value of these securities will fall and prepayment of principal balances will decelerate. When interest rates fall, the fair value of these securities will rise and prepayment of principal balances will accelerate. The mortgage-backed securities are authorized under ARS §35-313.

Statutes enacted by the Legislature authorize the retirement systems to make investments in accordance with the "Prudent Person" rule. This rule imposes the responsibility of making investments with the judgment and care that persons of ordinary prudence would exercise in the management of their own affairs when considering both the probable safety of their capital and the probable income from that capital. Within this broad framework, the retirement systems have chosen to invest in short-term securities and repurchase agreements, obligations of the U.S. Government and its agencies, corporate bonds, common and preferred stocks and mortgages. The Statutes also place certain restrictions on the investment fund portfolios of the retirement systems.

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires the following disclosures.

Investments maintained by the State Treasurer are reported at fair value based upon an independent outside pricing service. Investments with a maturity of 91 days or more and all investments with a maturity of 90 days or less that were held at the beginning of the current fiscal year end, not valued by the pricing service, are valued using a market price solicited from the selling broker or a second outside pricing service. All investments with a remaining maturity of 90 days or less, that have no available market price, and were not held at the beginning of the current fiscal year, are valued using amortized cost. If different amortized cost values exist, the weighted average amortized cost is given to like investments.

The State Treasurer also maintains external investment pools (the Central Arizona Water Conservation District within the State Agencies Investment Pool 3, Local Government Investment Pool and Local Government Investment Pool-Government) with no regulatory oversight. The pools are not required to register (and are not registered) with the Securities and Exchange Commission under the 1940 Investment Advisors Act. The activity and performance of the pools are reviewed monthly by the State Board of Investment in accordance ARS §35-311. The fair value of investments is measured on a monthly basis. Participant shares are purchased and sold based on the Net Asset Value (NAV) of the shares. The NAV is determined by dividing the fair value of the portfolio by the total shares outstanding. The State Treasurer does not contract with an outside insurer in order to guarantee the value of the portfolio or the price of shares redeemed. The State Treasurer makes investments only in external investment pools that are registered with the Securities and Exchange Commission.

The State Treasurer is not an involuntary participant in another entity's external investment pool.

The State Treasurer is not aware of any involuntary participation of local governments in the State's external investment pools. Participants meeting the criteria established under ARS §35-316 are eligible to participate in the pools and are not required to disclose the reason for requesting the account.

The investments of the State Treasurer's Custodial Securities, an Agency Fund, are recorded at par value. The investments are held by the State Treasurer for state agencies that perform a business compliance function.

The investments of the Arizona Exposition and State Fair are reported at fair value.

The Arizona State Retirement System investments are reported at fair value and at cost. Investments, other than real estate and commercial mortgages, are reported at fair values determined by the custodial agents. The agent's determination of fair values includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates.

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

Commercial mortgages have been valued on an amortized cost basis, which approximates fair value. Short-term investments are reported at cost, which approximates fair value. For investments where no readily ascertainable fair value exists, management, in consultation with its investment advisors, has determined the fair values for the individual investments based on anticipated maturity dates and current interest rates commensurate with the investment's degree of risk.

The Public Safety Personnel, Elected Officials' and Corrections Officer Retirement Systems investments are reported at fair value and at cost. Fair values are determined as follows: Short-term investments are reported at fair value, which approximates cost. Equity securities are valued at the last reported sales price. Fixed-income securities are valued using the last reported sales price or the estimated fair market value as determined by an outside pricing service. Investments that do not have an established market are reported at estimated fair value.

The investments of the Universities are reported at fair value. Fair value is determined from quoted market prices. Non-participating interest bearing contracts are valued at cost.

The University Medical Center's short-term investments are reported at cost, which approximates fair value. Long-term investments are reported at fair value as determined by quoted market prices.

The investments of the Arizona Power Authority are reported at amortized cost, which approximates fair value.

The investments of the Water Infrastructure Finance Authority in Guaranteed Investment Contracts are stated at cost, since they are non-participating contracts. The other investments are stated at fair value, which approximates cost.

The investments of the State Compensation Fund in bonds, certificates of participation and equity securities are reported at fair value. Investments in mortgages are reported at amortized cost.

There is no income from investments associated with one fund that is assigned to another fund.

B. UNEMPLOYMENT INSURANCE

ARS §23-703 requires that unemployment insurance contributions from Arizona employers be deposited in an unemployment trust fund account with the Secretary of the Treasury of the United States that is established and maintained pursuant to Section 1104 of the Social Security Act. The cash on deposit in the trust fund account is pooled and invested. Interest earned from investments purchased with such pooled monies is deposited in the trust fund account.

C. RESTRICTED ASSETS

University Funds report as restricted assets cash and investments for bond and loan retirement funds (including advance refunding of bonds), as well as for maintenance and replacement reserves. The Endowment and Restricted Funds also include restricted assets.

D. COLLATERAL AND INSURANCE

The State requires that deposits and investments with financial institutions be entirely covered by Federal depository insurance or, alternatively, collateralized with surety equal to at least 100% (102% for the Treasurer) of the deposits so collateralized. Cash deposited with banks is collateralized based on bank balances. Surety collateralization includes U.S. government obligations, State obligations, obligations of counties and municipalities within the State, and certain other securities.

E. DEPOSITS

At June 30, 2000, the carrying amount of the State's deposits for the Primary Government was a deficit of $137.219 million and $16.791 million for the Component Units. At June 30, 2000, the bank balance was $139.947 million for the Primary Government and $16.791 million for the Component Units. The cash deficits resulted from the State Treasurer not reducing investments until the servicing bank presented warrants for payment. For the Primary Government bank balances, $8.968 million was collateralized by Federal depository insurance. Of the remaining balance,. $93.933 million was collateralized by securities held by the bank's trust division or agent in the State's name in book-entry form, and $37.046 million was either not collateralized or was collateralized with securities held in the bank's custodial account with the Federal Reserve in the bank's name in book-entry form. For the Component Units bank balances, $16.791 million was either not collateralized or was collateralized with securities held in the bank's custodial account with the Federal Reserve in the bank's name in book-entry form.

F. INVESTMENTS

The following tables summarize the credit risk of the State's investments (expressed in thousands). Category A includes investments that are insured or registered, or for which securities are held by the State or the State's agent in the State's name. Category B includes uninsured and unregistered investments for which securities are held by the counterparty's agent or trust department in the State's name. Category C includes uninsured and unregistered investments for which securities are held by the counterparty, or by its agent or trust department but not in the State's name.

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

Primary Government

Type of Deposit or Investment	Category A	Category B	Category C	Reported Amount
U.S. Government securities	$ 6,959,676	$ -	$ 28,639	$ 6,988,315
Corporate stocks	17,261,515	3,416,171	-	20,677,686
Corporate debt	9,135,961	-	9,697	9,145,658
State and local government securities	408,125	-	-	408,125
Repurchase agreements	522,919	-	-	522,919
Other investments	318,491	2,718	65,246	386,455
Subtotal	$ 34,606,687	$ 3,418,889	$ 103,582	38,129,158
United States Treasury Pooled Investment				993,053
Guaranteed Investment Contracts				7,395
Mutual, Money Market Funds				151,186
Mutual Fund - Benchmark Portfolio				9,870
Other investments - not categorized				148,874
Short-Term Investment Fund				1,829,508
Mortgages				192,225
Real Estate				40,867
Joint Venture				14,000
Collateral Investment Pool				1,609,792
Investments held by brokers/dealers under Security Loan Program:				
U.S. Government securities				1,168,144
Corporate stocks				1,495,678
Corporate debt				114,003
Component Units' investment in primary government's investment pool				(53,413)
Total Investments				45,850,340
Deposits				(137,219)
Total Cash and Investments				$ 45,713,121

Component Units

Type of Deposit or Investment	Category A	Category B	Category C	Reported Amount
U.S. Government securities	$ 654,244	$ -	$ -	$ 654,244
Corporate stocks	207,876	-	-	207,876
Corporate debt	594,376	-	-	594,376
State and local government securities	251,963	-	-	251,963
Repurchase agreements	7,147	-	-	7,147
Other investments	-	-	25,900	25,900
Subtotal	$ 1,715,606	$ -	$ 25,900	1,741,506
Guaranteed Investment Contracts				80,200
Money Market Funds				62,069
Mortgages				100,717
Collateral Investment Pool				275,357
Investments held by brokers/dealers under Security Loan Program:				
U.S. Government securities				125,799
Corporate stocks				46,131
State and local government securities				97,241
Investment in primary government's investment pool				53,413
Total Investments				2,582,433
Deposits				16,791
Total Cash and Investments				$ 2,599,224

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

At June 30, 2000, the State had no commitments to resell securities under yield maintenance agreements.

During the year ended June 30, 2000, the State did not make significant investments in types of investments beyond those enumerated in the preceding tables.

G. SECURITIES LENDING

GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions* requires reporting cash received as collateral on securities lending transactions and investments made with that cash as assets. A corresponding liability is also recorded for such securities lending transactions.

1. Industrial Commission

State statutes and the Industrial Commission (the Commission) policies permit the Commission to enter into securities lending transactions with its custodial bank. There were no significant violations of legal or contractual provisions, and there were no borrower or lending agent default losses to the securities lending agent. The custodial bank, Northern Trust, manages the securities lending operations through a contractual agreement with the Commission and splits the fees received with the Commission. There was no credit risk (i.e., lender's exposure to the borrowers of its securities) related to the securities lending transactions at June 30, 2000. Northern Trust's indemnification responsibilities include performing appropriate borrower and collateral investment credit analysis, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examinations Council regulations concerning securities lending. Securities are loaned for collateral that may include cash, U.S. Government securities and irrevocable letters of credit. Domestic securities are loaned for collateral valued at 102% of the market value of securities loaned plus accrued interest. International securities are loaned for collateral valued at 105% of the market value of the securities loaned plus accrued interest. The market value at June 30, 2000, for loaned securities collateralized by cash and non-cash collateral was $48.152 million and $2.305 million, respectively. As part of the securities lending transactions, Northern Trust received cash and non-cash collateral valued at $49.119 million and $2.364 million, respectively at June 30, 2000. Non-cash collateral cannot be pledged or sold unless the borrower defaults. Securities lent at year-end for cash collateral are presented as unclassified in the preceding schedule of custodial risk; securities lent for securities collateral are classified according to the category for the collateral received on the securities lent.

All securities loans can be terminated on demand by either the lender or the borrower. The average term of the loans are forty-six days and cash open collateral is invested in a short-term investment pool, the Core USA Collateral Section, which had an average weighted maturity of thirty-seven days as of June 30, 2000. Cash collateral may also be invested separately in "term loans", in which case the investments match the loan term. Cash open loans can be terminated on demand by either lender or borrower and there were no dividends or coupon payments owing on securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month. Investments made with cash collateral received are classified as an asset on the Balance Sheet. A corresponding liability is recorded as the Commission must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2000, the Commission had $49.119 million outstanding as payable for securities lending.

2. Arizona State Retirement System

The Arizona State Retirement System (ASRS) is permitted by Title 38, Chapter 5, Article 2 of the Arizona Revised Statutes to enter into securities lending transactions. The ASRS enters into agreements with brokers to loan securities and have the same securities redelivered at a later date. It is the policy of the ASRS to receive as collateral at least 102% of the market value of the loaned securities and maintain collateral at no less than 100% for the duration of the loan. At year-end, the ASRS has no audit risk exposure to borrowers because the amount the ASRS owes borrowers exceeds the amount the borrowers owe ASRS. During fiscal year 1998, statutes were amended to allow for other than cash collateral. The ASRS records the collateral received and the same amount as an obligation for securities on loan. Any cash collateral received is invested in short-term investments. The ASRS receives a negotiated fee for its loan activities. Investments made with cash collateral received are classified as an asset on the Combining Statement of Plan Net Assets. A corresponding liability is recorded as the ASRS must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2000, the ASRS had $1.299 billion outstanding as payable for securities on loan.

Due to the flow of securities to and from transfer agents and the security loan program, securities occasionally cannot be delivered for a sale or received for a purchase, resulting in a "failed" transaction. Securities with trade dates in June and settlement dates in July result in "outstanding" transactions. Since these securities have contractually changed ownership, receivables and payables result from these transactions. Such transactions resulted in a receivable for securities sold of $104.065 million and a payable for securities purchased of $432.211 million at June 30, 2000.

3. Public Safety Personnel Retirement System, Elected Officials' Retirement Plan and Corrections Officer Retirement Plan

The Public Safety Personnel Retirement System (PSPRS), Elected Officials' Retirement Plan (EORP) and the Corrections Officer Retirement Plan (CORP) are permitted by Title 38,

NOTE 3. CASH AND INVESTMENTS (CONCLUDED)

Chapter 5, Articles 3, 4 and 6 of the Arizona Revised Statutes to enter into securities lending transactions. The PSPRS, EORP and CORP are parties to securities lending agreements with a bank. The bank, on behalf of the PSPRS, EORP and CORP, enters into agreements with brokers to loan securities and have the same securities returned at a later date. The loans are fully collateralized, primarily by cash. Collateral is marked-to-market on a daily basis. Non-cash collateral can be sold only upon borrower default. The PSPRS, EORP and CORP require collateral of at least 102% of the fair value of the loaned U.S. Government or corporate security. Securities on loan are carried at fair value. As of June 30, 2000, the fair value of securities on loan were (expressed in millions):

PSPRS	$ 1,147.924
EORP	84.893
CORP	164.666

The PSPRS, EORP and CORP receive a negotiated fee for their loan activities and are indemnified for broker default by the securities lending agent. The PSPRS, EORP and CORP participate in a collateral investment pool. All security loans can be terminated on demand by either the pool participants or the borrower. All term loans have a matched collateral investment. Cash collateral received for open loans is invested for a longer term, however, at least 20% of total collateral investments must be invested on an overnight basis and at least 30% of total collateral investments must be invested with a maturity of seven days or less. Additionally, no more than 20% of the total collateral investments will be invested in instruments maturing in over 91 days. In lending securities, investments of cash collateral for open loans as of June 30, 2000, are not matched in maturity and have a weighted average maturity of seven days. The PSPRS, EORP and CORP have no credit risks under this program and have experienced no defaults or losses on these loans. Investments made with cash collateral received are classified as an asset on the Combining Statement of Plan Net Assets. A corresponding liability is recorded as the PSPRS, EORP and CORP must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2000, the PSPRS, EORP and CORP had $1,272.699, $99.489 and $188.485 million outstanding, respectively, as payable for securities on loan.

4. State Compensation Fund

The State Compensation Fund (the Fund) participates in a securities lending program in which securities are loaned to approved brokers/dealers for specified periods of time. All securities on loan are collateralized by cash or cash equivalents of at least 102% of their fair market value. The collateral is maintained by the Fund's investment trustee who is not a party to the security lending agreement. The Fund had invested securities on loan with a market value of approximately $269.171 million and a book value of $271.180 million at December 31, 1999. The collateral held and the corresponding obligation for its return have been recorded in current investments and liabilities, respectively. The Fund held collateral of approximately $275.357 million as of December 31,1999.

H. DERIVATIVES

Derivatives are financial instruments (securities or contracts) whose value is dependent on reference rates or indices such as stock or bond prices, interest rates or currency exchange rates. ASRS internal investment managers use derivatives to hedge currency risk, reduce transaction costs, obtain market exposure, and enhance returns.

The principle categories of derivatives employed and their uses during the year were as follows:

Category	Purpose
Foreign exchange forward contracts	Hedge currency risk of investment denominated in foreign currencies.
Futures	Reduce transaction costs; obtain market exposure; enhance returns.
SWAPS	Interest rate risk management; enhance returns.

Generally, derivatives are subject to both market risk and counterparty risk. The derivatives utilized by ASRS internal investment managers typically have no greater market risk than their physical counterparts, and in many cases are offset by exposure elsewhere in the portfolio.

The ASRS believes that it is unlikely that any of the derivatives used by its internal investment managers could have a material adverse effect on the financial conditions of the System.

I. STATE TREASURER'S SEPARATELY ISSUED FINANCIAL STATEMENTS

The State Treasurer issues a separately published Annual Financial Report. The report provides additional information relating to the State Treasurer's total investing activities and the internal and external participants of the Investment Trust Funds. The Investment Trust Funds report on the activities of the Local Government Investment Pools and Central Arizona Water Conservation District Investment Account. A copy of the State Treasurer's Office Annual Financial Report can be obtained from their office at 1700 W. Washington, Phoenix, Arizona 85007-2812. The Treasurer's financial statements are audited by the Office of the Auditor General.

NOTE 4. RECEIVABLES / DEFERRED REVENUE

A. TAXES RECEIVABLE

Taxes receivable represent amounts owed by taxpayers for the 1999 and prior calendar years including assessments for underpayment, penalties and interest totaling approximately $152.650 million at June 30, 2000. Taxes receivable are accrued when they are earned, measurable, and available.

The income tax receivable is composed of individual and corporate estimated payments, withholding payments, payments with final returns and assessments that relate to income earned through June 30, 2000. Sales and motor vehicle and fuel tax receivable represent amounts that are earned by the State in the fiscal period ended June 30, 2000, but not collected until the following month.

The following table summarizes taxes receivable at June 30, 2000 (expressed in thousands):

Type of Tax	General Fund	Special Revenue Funds	Capital Projects Funds	Trust and Agency Funds
Sales	$ 316,183	$ 1,372	$ -	$ -
Income - individual and corporate	326,656	-	-	-
Insurance premium	22,744	-	-	-
Motor vehicle and fuel	-	149,085	-	-
Luxury	4,797	10,857	2,180	-
Unemployment	-	-	-	39,825
Allowance for uncollectible taxes	(190,803)	-	-	-
Net Taxes Receivable	$ 479,577	$ 161,314	$ 2,180	$ 39,825

B. DEFERRED REVENUE

Deferred revenue consists of payments to the State for goods and services not yet rendered. Delinquent taxes not collected within 31 days after June 30, 2000, have been deferred and, consequently, are not included in current year revenues. Federal grant revenue not available in the next 31 days is deferred. Funds and Component Units with deferred revenue of $10 million or more consist of the following (expressed in thousands):

Revenue Source	General Fund	Trust and Agency Funds	University Funds	Component Units
Taxes	$ 47,183	$ -	$ -	$ -
Land leases	8,042	19,097	-	-
Student services	-	-	120,859	-
Public assistance overpayments	6,794	-	-	-
Food stamps	432	-	-	-
Federal grants and reimbursements	8,525	-	-	-
Unemployment insurance contributions	-	15,061	-	-
Policyholders' advance premiums	-	-	-	34,879
Other	12,957	4	-	1,764
Total	$ 83,933	$ 34,162	$ 120,859	$ 36,643

NOTE 5. GOVERNMENTAL RECEIVABLES / PAYABLES

A. GOVERNMENTAL RECEIVABLES

Due from U.S. Government of $176.707 million in the General Fund represents receivables from Federal financial assistance programs and $36.544 million in the Special Revenue Funds consists principally of amounts owed to the Arizona Department of Transportation for reimbursement of highway construction costs from the U.S. Department of Transportation.

B. GOVERNMENTAL PAYABLES

Due to local governments in the General Fund and Special Revenue Funds ($139.193 and $126.613 million, respectively) represents primarily sales and motor vehicle and fuel tax collections that have not yet been remitted by the State to the respective local governments as of June 30, 2000.

NOTE 6. FIXED ASSETS

A. GENERAL FIXED ASSETS ACCOUNT GROUP

A summary of changes in the general fixed assets account group follows (expressed in thousands):

Asset	Balance July 1, 1999	Adjustments	Additions	Deletions	Balance June 30, 2000
Land	$ 86,898	$ (5,620)	$ 8,000	$ 129	$ 89,149
Buildings and improvements	958,652	(21,029)	90,403	407	1,027,619
Other improvements	97,726	25,260	3,422	2,864	123,544
Furniture, vehicles and equipment	332,265	10,113	36,152	30,939	347,591
Subtotal	1,475,541	8,724	137,977	34,339	1,587,903
Construction in progress	273,171	(20,250)	23,437	50,458	225,900
Total General Fixed Assets	$ 1,748,712	$ (11,526)	$ 161,414	$ 84,797	$ 1,813,803

The July 1, 1999 balance was adjusted as a result of previously unreported and misclassified fixed assets.

B. PROPRIETARY AND SIMILAR TRUST FUNDS FIXED ASSETS

Proprietary and Similar Trust Funds fixed assets consisted of the following as of June 30, 2000 (expressed in thousands):

	Primary Government				
Asset	Enterprise Funds	Internal Service Funds	Similar Trust Funds	Component Units	Combined Total
Land	$ 5,867	$ -	$ 9,000	$ 3,824	$ 18,691
Buildings and improvements	53,527	3,937	2,687	174,514	234,665
Other improvements	3,842	-	372	4,161	8,375
Furniture, vehicles and equipment	20,715	183,358	1,052	125,841	330,966
Construction in progress	357	-	255	9,648	10,260
Subtotal	84,308	187,295	13,366	317,988	602,957
Less: accumulated depreciation	(39,779)	(111,076)	(1,462)	(174,259)	(326,576)
Total	$ 44,529	$ 76,219	$ 11,904	$ 143,729	$ 276,381

Fixed assets of the Proprietary, Similar Trust Funds and Component Units are capitalized in the fund in which they are utilized and depreciated on a straight line basis over their useful lives. The estimated lives of fixed assets are as follows:

	Years	
	Primary Government	Component Units
Buildings and improvements	40	5-50
Other improvements	15	10
Furniture, vehicles and equipment	5-15	3-15

C. UNIVERSITIES' FIXED ASSETS

The Universities' fixed assets consist of the following (expressed in thousands):

Asset	Balance June 30, 2000
Land	$ 219,236
Buildings and improvements	1,869,450
Other improvements	33,086
Furniture, vehicles and equipment	1,035,199
Subtotal	3,156,971
Construction in progress	64,931
Total	$ 3,221,902

NOTE 6. FIXED ASSETS (CONCLUDED)

Universities' construction projects included in construction in progress have a total estimated cost of $251.442 million, a cost to date of $64.931 million and a remaining cost to complete of $186.511 million.

In October 1996, the Federal Government conveyed to Arizona State University a portion of the former Williams Air Force Base which is used by the University as the ASU East Campus. A second property conveyance was made to the University in December 1999. The property transfers are conditional upon the use of the property for educational purposes in accordance with the terms of the deed. The appraised fair value of all the property conveyed is $84.0 million and consists of 70 multi-purpose use buildings and 567 single family residences valued at $64.3 million, site improvements valued at $3.5 million and 565 acres of land valued at $16.2 million.

Arizona State University recorded this conveyed property at the time of title transfer at its appraised value. The University expects a final conveyance of the remaining property to occur. The appraised fair value of the property yet to be conveyed is $5.7 million and includes 1 multi-purpose use building, 86 single family residences and 20 acres of land. The University will record these remaining assets at the time they are conveyed by the Federal Government. As of September 1, 2000, only the two conveyances totaling $84.0 million had occurred.

NOTE 7. RETIREMENT PLANS

The State contributes to the four plans described below. The four plans are considered part of the State's financial reporting entity and are included in the State's financial statements as Pension Trust Funds.

A. PLAN DESCRIPTIONS

The State participates in the Arizona State Retirement System (ASRS), the Public Safety Personnel Retirement System (PSPRS), the Elected Officials' Retirement Plan (EORP) and the Corrections Officer Retirement Plan (CORP). Benefits are established by state statutes and provide retirement, death, long-term disability, survivor and health insurance premium benefits to State employees, public school employees and employees of counties, municipalities and certain other State political subdivisions.

The **ASRS** is a cost-sharing, multiple-employer defined benefit pension plan that benefits employees of the State, its political subdivisions and public schools. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of ARS Title 38, Chapter 5, Article 2.

The **PSPRS** is an agent, multiple-employer defined benefit pension plan that benefits fire fighters and police officers employed by the State or certain local governments. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as the Fund Manager, and 173 local boards according to the provisions of ARS Title 38, Chapter 5, Article 4.

The **EORP** is a cost-sharing, multiple-employer defined benefit pension plan that benefits all elected State and county officials and judges and certain elected city officials. The EORP is governed by the Fund Manager of PSPRS according to the provisions of ARS Title 38, Chapter 5, Article 3.

The **CORP** is an agent, multiple-employer defined benefit pension plan that benefits town, city and county detention officers and certain employees of the Arizona Department of Corrections and the Arizona Department of Juvenile Corrections. The CORP is governed by the Fund Manager of PSPRS according to the provisions of ARS Title 38, Chapter 5, Article 6.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

Arizona State Retirement System
3300 North Central Avenue
P.O. Box 33910
Phoenix, Arizona 85067-3910
(602) 240-2000 or (800) 621-3778

Public Safety Personnel Retirement System, Elected Officials' Retirement Plan or the Corrections Officer Retirement Plan
1020 East Missouri Avenue
Phoenix, Arizona 85014
(602) 255-5575

The number of participating government employers as of June 30, 2000, are shown below:

Employer	ASRS	PSPRS	EORP	CORP
Cities and towns	62	118	16	-
Counties and county agencies	14	20	15	10
State	1	1	1	1
Special districts	48	34	-	-
School districts	220	-	-	-
Charter schools	100	-	-	-
Community college districts	10	-	-	-

NOTE 7. RETIREMENT PLANS (CONTINUED)

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As part of the Pension Trust Funds, the financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred and revenues are recorded in the accounting period in which they are earned and become measurable. Employee contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Contributions from employees and employers for service through June 30 are accrued. These contributions are considered to be fully collectible and, accordingly, no allowance for uncollectible receivables is reflected in the financial statements.

For the ASRS, investments are reported at fair value and at cost. Security transactions and any resulting gains or losses are accounted for on a trade-date basis. Investments, other than real estate and commercial mortgages, are reported at fair values determined by the custodial agents. The agent's determination of fair values includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates. Commercial mortgages have been valued on an amortized cost basis which approximates fair value. No allowance for loan loss has been provided as all loans and bonds are considered by management to be fully collectible.

Short-term investments are reported at cost which approximates fair value. For investments where no readily ascertainable fair value exists, management, in consultation with its investment advisors, has determined the fair values for the individual investments based on anticipated maturity dates and current interest rates commensurate with the investment degree of risk. Net investment income includes net appreciation in fair value of investments, interest income, dividend income and total investment expense, which includes investment management and custodial fees and all other significant investment related costs.

For the PSPRS, EORP and the CORP, investments are reported at fair value and at cost. Fair values are determined as follows: Short-term investments are reported at fair value, which approximates cost. Equity securities are valued at the last reported sales price. Fixed-income securities are valued using the last reported sales price or the estimated fair market value as determined by one of the world's largest and most prominent fixed-income broker/dealers. Investments that do not have an established market are reported at estimated fair value. Investment income is recognized as earned.

Statutes enacted by the Arizona State Legislature restrict the four retirement plans from investing more than five percent of each plan's total assets in securities issued by any one institution, agency or corporation, other than securities issued as direct obligations of or fully guaranteed by the U. S. Government. As of June 30, 2000, the four retirement plans are in compliance with the state statutes.

C. FUNDING POLICY

The contribution requirements of plan members and the State are established by Title 38, Chapter 5 of the Arizona Revised Statutes. These contribution requirements may be amended by the Arizona State Legislature.

Cost-sharing plans - For the year ended June 30, 2000, active ASRS members and the State were each required by statute to contribute at the actuarially determined rate of 2.66 percent (2.17 percent retirement and 0.49 percent long-term disability) of the members' annual covered payroll. The State's contributions to ASRS for the years ended June 30, 2000, 1999 and 1998 were $35.147, $42.112 and $41.685 million, respectively, for the primary government and $617, $727 and $735 thousand, respectively, for the component units, which were equal to the required contributions for the year.

In addition, active EORP members were required by statute to contribute 7.00 percent of the members' annual covered payroll. The State was required to contribute a designated portion of certain fees collected by the Supreme Court plus additional contributions of 10.22 percent of the members' annual covered payroll, as determined by actuarial valuation. The State's contributions to EORP for the years ended June 30, 2000, 1999 and 1998 were $184 thousand, $1.180 million and $681 thousand, respectively, which were equal to the required contributions for the year.

Agent plans - For the year ended June 30, 2000, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll and the participating State agencies were required to contribute at actuarially determined rates of 2.00 – 9.57 percent. Active CORP members were required by statute to contribute 8.50 percent of the members' annual covered payroll and the participating State agencies were required to contribute at actuarially determined rates of 1.36 - 2.86 percent.

NOTE 7. RETIREMENT PLANS (CONTINUED)

D. ANNUAL PENSION COST

The State's annual pension cost and related actuarial data for each of the agent, multiple-employer defined benefit pension plans for the year ended June 30, 2000, follows (expressed in thousands):

	PSPRS	CORP
Contribution rates:		
State	2.00%-9.57%	1.36%-2.86%
Plan members	7.65%	8.50%
Annual pension cost	$4,106	$13,840
Contribution made	$4,106	$13,840
Actuarial valuation date	6/30/00	6/30/00
Actuarial cost method	entry age	entry age
Actuarial assumptions:		
Investment rate of return	9%	9%
Projected salary increases	6.5%-9.5%	5.5%-9.5%
includes inflation at	5.5%	5.5%
Cost-of-living adjustment	none	none
Amortization method	level percent open	level percent open
Remaining amortization period from 7/1/00	Open 20 years	Open 20 years
Asset valuation method	4-year smoothed market	4-year smoothed market

E. TREND INFORMATION

An analysis of the most recent actuarial valuations for each of the agent, multiple-employer defined benefit plans is as follows (expressed in thousands):

Contributions Required and Contributions Made

	Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS	6/30/00	$ 4,106	100%	$ 0
	6/30/99	4,348	100	0
	6/30/98	5,345	100	0
CORP	6/30/00	13,840	100	0
	6/30/99	13,500	100	0
	6/30/98	13,355	100	0

F. FUNDING PROGRESS

The following schedule describes the funding progress for each of the agent, multiple-employer defined benefit plans for the fiscal year as indicated (expressed in thousands):

Plan	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Excess	Funded Ratio	Annual Covered Payroll	Funding Excess as Percentage of Covered Payroll
PSPRS	6/30/00	$ 584,825	$ 446,225	$ 138,600	131.1%	$ 68,563	202.1%
	6/30/99	497,050	397,860	99,190	124.9	61,994	160.0
	6/30/98	436,811	363,284	73,527	120.2	56,711	129.7
CORP	6/30/00	547,149	394,319	152,830	138.8	278,819	54.8
	6/30/99	457,404	345,460	111,944	132.4	243,211	46.0
	6/30/98	374,549	316,710	57,839	118.3	204,778	28.3

NOTE 7. RETIREMENT PLANS (CONCLUDED)

There has been a significant benefit enhancement for CORP members. The benefit accrual rate was increased from 2.2% of the member's base salary to 2.5% for each year of credited service. This benefit change applies to members retiring subsequent to July 21, 1997, and may have a significant impact on the funding level for CORP. Beginning July 21, 1997, the member contribution rate increased to eight and one-half percent (8.50%) of salary.

G. UNIVERSITIES' DEFINED CONTRIBUTION PLANS

Faculty, academic professionals and administrative officers at the three universities (Arizona State University, Northern Arizona University, and University of Arizona) may select one of five retirement plans: the Arizona State Retirement System (ASRS), Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF), Variable Annuity Life Insurance Company (VALIC), Fidelity Investments Tax-Exempt Services Company (Fidelity) or Aetna Life Insurance and Annuity Company (Aetna). The ASRS is a defined benefit plan (described above) and the other four plans are defined contribution plans. The four defined contribution plans are administered by independent insurance and annuity companies approved by the Arizona Board of Regents. In addition, University of Arizona employees hired before July 1, 1972, have the option to participate in the defined contribution plan administered by the ASRS. Eligible classified staff belong to the Arizona State Retirement System. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

The Arizona State Legislature establishes and may amend active plan members' and the Universities' contribution rates. For the year ended June 30, 2000, plan members and the three Universities were each required by statute to contribute an amount equal to seven percent of an employee's compensation, except for a 7.92 percent contribution for the ASRS plan. Contributions to these plans for the year ended June 30, 2000, were as follows (expressed in thousands):

Plan	University Contributions	Employee Contributions	Total Contributions
TIAA/CREF	$ 21,321	$ 21,321	$ 42,642
VALIC	3,101	3,101	6,202
Fidelity	2,631	2,631	5,262
Aetna	1,080	1,080	2,160
ASRS	278	246	524

H. UNIVERSITY MEDICAL CENTER DEFINED CONTRIBUTION PLAN

The University Medical Center (UMC) has an Employee Pension Plan (the Plan) for its employees. The Plan is a defined contribution plan covering all UMC employees who are subject to minimum employment requirements, as defined in the Plan Agreement. The UMC makes contributions to the Plan in amounts equal to (a) 5.5 percent of total compensation plus (b) 5.4 percent of compensation in excess of 80 percent of the FICA wage base. Such contributions are allocated to each participant as defined in the Plan Agreement. Retirement plan expense, net of participant forfeitures was approximately $4.2 million for the year ended June 30, 2000.

I. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described, the ASRS makes group health insurance coverage available to eligible retired and disabled members and their dependents. Retired and disabled members of the ASRS, PSPRS, EORP and CORP may participate if they are no longer eligible for health insurance benefits through their former employer.

This program is administered in accordance with ARS §38-782 and §38-783. Health insurance premiums are withheld from benefit payments and remitted to health insurance carriers. Approximately 38,000 coverage agreements currently exist for retired and disabled members and their dependents. The ASRS remitted approximately $37.7 million to health insurance carriers for premium payments during the fiscal year.

NOTE 8. EMPLOYEE BENEFITS

A. COMPENSATED ABSENCES

1. Annual Leave

In general, State employees accrue vested annual leave at a variable rate based on years of service. An employee forfeits accumulated annual leave in excess of 240 hours at the end of a calendar year, unless the Director of the Department of Administration authorizes an exception. An employee who separates from State service is paid for all unused and unforfeited annual leave at the employee's rate of pay at the time of separation.

2. Compensatory Leave

Some employees accumulate compensatory leave for time worked over 40 hours per week. Compensatory leave is treated like annual leave except that the employee must use any compensatory leave before using annual leave.

B. SICK LEAVE

Sick leave includes any approved period of paid absence granted an employee due to illness, injury or disability. Most State employees accrue sick leave at the rate of eight hours per month without an accumulation limit. State employees are eligible to receive payment for an accumulated sick leave balance of 500 hours or more with a maximum of 1500 hours upon retirement directly from State service. (See Note 15.D)

C. DEFERRED COMPENSATION PLAN

The State offers its employees a Deferred Compensation Plan (the Plan) established in accordance with Section 457 of the Internal Revenue Code. All assets and income of the Plan are held in trust for the exclusive benefit of the participants and their beneficiaries. Assets of the Plan are administered by a private corporation under contract with the State. Consequently, the Plan's assets and liabilities are excluded from the State's financial statements.

NOTE 9. LONG-TERM DEBT

A. REVENUE BONDS

Primary Government

1. Arizona Department of Transportation

The Arizona Department of Transportation (ADOT) issued Highway Revenue Bonds in 1991, 1992, 1993 and 1999. These bonds are secured by a prior lien on and a pledge of motor vehicle and related fuel fees and taxes of the State Highway Fund, a Special Revenue Fund. Arizona Revised Statutes prohibit the total principal amount of Arizona Highway Revenue Bonds, excluding refunded bonds, to exceed $800 million.

The ADOT also issued Transportation Excise Tax Revenue Bonds in 1988, 1992, 1993, 1995, 1998 and 1999. These bonds are secured by transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County.

Bonds payable are due in varying annual principal amounts plus varying semiannual interest amounts, except for the 1988 Series A Capital Appreciation Bonds, which are due in annual installments of $21.500 million in 2002 through 2004 with the balance of $8.500 million due in 2005.

Bonds aggregating approximately $342.175 million ($220.110 million of Highway Revenue Bonds and $122.065 million of Transportation Excise Tax Revenue Bonds, respectively) are subject to redemption prior to their maturity dates, at the option of the Transportation Board, in whole at any time, or in part at various interest payment dates. These bonds may be redeemed at various redemption prices ranging from 100 percent to 102 percent of principal, plus accrued interest to the date fixed for redemption. Bonds aggregating approximately $1.010 billion are not subject to redemption prior to maturity.

The Bond Resolution adopted by the Transportation Board on July 25, 1986, established a debt service reserve requirement equal to the maximum annual interest due in the current year or future years on any series of outstanding Transportation Excise Tax Revenue Bonds. The Second Supplemental Transportation Excise Tax Revenue Bond Resolution adopted by the Transportation Board on September 22, 1988, gives the Board the option, which it has elected, of acquiring debt service reserve insurance policies in lieu of the debt service reserve requirement. Accordingly, no debt service reserve is reported in the accompanying financial statements. The policies (aggregating $70.064 million at June 30, 2000) were issued by Financial Guaranty Insurance Company, except for the 1993 Series Subordinated Bonds policies, which were issued by MBIA Insurance Corporation, and the 1995 Series A and Series B Subordinated Bonds policies, which were issued by AMBAC Assurance Corporation. These policies are noncancelable and insure payment, up to the policy amount, of the bond interest on their respective payment dates. The policies shall terminate on the earlier of July 1, 2005, or the date when no respective bonds are outstanding under the bond resolution. The premiums on these insurance policies are recorded as expenditures in the year of payment.

The carrying basis of the 1988 Series A Capital Appreciation Bonds increases as a result of accretion of the original issuance discount. At June 30, 2000, the carrying basis was $57.918

NOTE 9. LONG-TERM DEBT (CONTINUED)

million. At maturity on July 1, 2005, the carrying basis will equal the maturity amount of $73 million.

On July 21, 1999, ADOT issued $124.695 million in Subordinated Transportation Excise Tax Revenue Bonds (1999 Series) to (1) advance refund portions of the Transportation Board's outstanding Senior Bonds, (2) finance the acquisition of land and the design and construction of certain controlled access highways within Maricopa County, Arizona and (3) pay costs of issuing the 1999 Series Bonds. The 1999 Series Bonds are due July 1, 2000 through 2005.

Net proceeds totaled $126.690 million (after receipt of $2.112 million of reoffering premium and payment of $117 thousand in underwriting fees). Net proceeds of $4.712 million were used to advance refund $4.640 million of the 1991 Series A, Senior Transportation Excise Tax Revenue Bonds (Refunded Bonds). State and Local Government securities were purchased with these proceeds and were deposited in an irrevocable trust with an escrow agent to provide for the partial future debt service payments on the above-referenced bonds. As a result, the Refunded Bonds will be considered defeased and the liability for these bonds will be removed from the General Long-Term Debt Account Group. The ADOT advance refunded the Refunded Bonds to reduce its total debt service payments over the next two years by $57 thousand and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $56 thousand.

On November 16, 1999, ADOT issued $151.080 million in Highway Revenue Bonds (Series 1999) to (1) finance portions of the Transportation Board's five-year capital program, (2) advance refund portions of the Transportation Board's outstanding Senior Bonds and Subordinated Bonds and (3) pay costs of issuing the 1999 Series Bonds. The 1999 Series Bonds are due July 1, 2001 through 2019.

Net proceeds totaled $151.926 million (after receipt of $1.782 million of reoffering premium and payment of $935 thousand in underwriting fees). Net proceeds of $21.409 million were used to advance refund $9.065 million of the Senior Series 1990 Bonds and $11.410 million of the Subordinated Series 1991A Bonds. State and Local Government securities were purchased with these proceeds and were deposited in an irrevocable trust with an escrow agent to provide for the partial future debt service payments on the above-referenced bonds. As a result, the Refunded Bonds will be considered defeased and the liability for these bonds will be removed from the General Long-Term Debt Account Group. The ADOT advance refunded the Refunded Bonds to reduce its total debt service payments over the next three years by $491 thousand and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $407 thousand.

In prior years, the ADOT refinanced various bond issues through advance refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government Securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded.

As of June 30, 2000, the principal balance of defeased, refunded bonds is $373.316 million, which accordingly is not included as a liability in the accompanying financial statements.

2. Universities

a. University of Arizona

Cash and securities on deposit with trustees, restricted for retirement of bonded indebtedness and renewals and replacements, are $461 thousand and $412 thousand respectively, at June 30, 2000, as required by the bond indentures. In addition, $31.862 million was held by trustees for payment of future construction costs, and at June 30, 2000, the University also directly held proceeds totaling $2.006 million of the 1997 System Revenue Bonds for payment of future construction costs.

In fiscal years 1977, 1993 and 1998, the University refunded in advance of maturity certain outstanding revenue bonds. At June 30, 2000, the outstanding principal balance of the refunded bonds was $31.585 million that will be paid by investments held in trust with a carrying value of $29.277 million. These amounts are not included in the accompanying financial statements.

On March 28, 2000, the University sold $21.300 million of System Revenue Bonds, Series 2000A (2000A Bonds). The 2000A Bonds include $15.430 million of serial bonds with interest rates ranging from 5 to 5.75 percent, and maturity dates ranging from 2012 to 2020. The 2000A Bonds also include $5.870 million of term bonds with an interest rate of 5.8 percent, due June 1, 2024. The 2000A Bonds maturing on June 1, 2024, are subject to mandatory sinking fund redemption in part on June 1 of the years 2021 through 2024 at a redemption price equal to the principal amount thereof, plus interest accrued to the redemption date, without premium, as set forth in the debt documents. The proceeds are being used to construct the Main Library Improvement Project and the Utilities Expansion Project. After this issuance, $73.1 million of legislative authorization to issue future bonds remains.

b. Northern Arizona University

In prior years, the University defeased certain revenue bonds by either placing the proceeds of new bonds, or cash and investments accumulated in the sinking fund, in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 2000, $3.450 million of such bonds outstanding are considered defeased.

NOTE 9. LONG-TERM DEBT (CONTINUED)

c. Arizona State University

In June 2000, the University sold $15.0 million of system revenue bonds for the financing of two new residential life facilities.

In prior years, certain system revenue bonds of the University were in substance defeased through an advance refunding by depositing sufficient U.S. Government securities to pay all future debt service in an irrevocable trust. Accordingly, liabilities for these defeased bonds are not included in the accompanying financial statements. The principal amount of all refunded bonds outstanding at June 30, 2000, is $75.6 million.

The housing revenue bonds are payable from housing revenues as defined in the bond indentures. The Series 1992, 1992A and 1993 System Revenue Refunding Bonds, and the outstanding Series 1989, 1991 and 2000 System Revenue Bonds are payable from Main Campus tuition, fees, certain auxiliary enterprise revenues, and certain other revenues as defined in the bond indentures.

Securities and cash restricted for bond retirement funds and maintenance and replacement reserves held by trustees at June 30, 2000, totaled $16.4 million.

Component Units

3. Arizona Power Authority

In prior years, Arizona Power Authority (APA) defeased various issues of bonds by purchasing United States government securities which were deposited in an irrevocable trust with an escrow agent to provide future debt service on the maturity dates defeased. As a result, these bonds are considered to be defeased and the liability has been removed from the Hoover Uprating Fund. Accordingly, these trust account assets and related liabilities are not included in the accompanying financial statements. As of June 30, 2000, $99.450 million of bonds outstanding are considered to be defeased.

The remaining bonds, totaling $68.945 million, bear interest rates from 4.9% to 5.4% and are due serially from 2003 through 2017, and are secured by the pledged property, as defined by the resolution, which includes the proceeds from the sale of the bonds, rights and interests in various contracts and revenues of the APA.

4. University Medical Center

In January 1991, the University Medical Center issued $50.655 million of Hospital Revenue Bonds (the Series 1991 Bonds). The proceeds of the Series 1991 Bonds were used for the construction of an imaging center, a 110 bed tower for expanded programs, an emergency room, a parking facility, and the expansion and renovation of the surgical suites and other existing facilities.

In March 1992, the University Medical Center issued $28.405 million of Hospital Revenue Bonds (the Series 1992 Bonds) and in May, 1993, the University Medical Center issued $54.750 million of Hospital Revenue Refunding Bonds (the Series 1993 Bonds). The proceeds of the Series 1992 Bonds and the Series 1993 Bonds were used to advance refund a portion of the Series 1986, 1987 and 1991 Bonds.

The University Medical Center is subject to certain financial covenants under the Master Trust Indenture (the Indenture), with which the Center is in compliance as of and for the year ended June 30, 2000. In addition, the Indenture places certain restrictions on the incurrence of additional indebtedness and the sale or acquisition of property.

The University Medical Center has established and maintains separate funds for borrowings not yet expended for construction. These funds are held by the trustee and are reported as "Investments held by trustee" in the accompanying combined balance sheets, consisting principally of guaranteed investment contracts.

The bonds or other obligations of the University Medical Center do not constitute general obligations of the Arizona Board of Regents, the University of Arizona, the State of Arizona or any political subdivision thereof.

5. Water Infrastructure Finance Authority

The Water Infrastructure Finance Authority (WIFA) issued Financial Assistance Revenue Bonds in 1992, 1995, 1996, 1997 and 1998. WIFA also issued Capitalization Revenue Bonds in 1992, 1995, 1996 and 1997. The bonds are callable and interest is payable semiannually. The bonds are special obligations of the WIFA payable solely from and secured by the WIFA's assets. The bonds are not obligations, general, specific or otherwise, of the State or any other political subdivision thereof other than the WIFA.

On September 8, 1999, WIFA issued $64.000 million of Water Quality Refunding Bonds, at a premium of $201 thousand, to do an advance refunding of the 1991A Bonds and part of the 1992A, 1995A and 1996A Bonds. These bonds have been fully defeased. Accordingly, the liability for these bonds is not reported in the accompanying financial statements.

The net present value cash flow savings for issuing the refunding bonds at a 5.271% bond yield was $237 thousand.

The deferred loss on retirement of bonds is being amortized over the lives of the defeased bonds on the straight line basis. The amortization for the year ended June 30, 2000, is $118 thousand and has been included in interest expense.

Bond premiums are being amortized over the life of the bonds. The amortization for the year ended June 30, 2000, is $28 thousand and is offset against interest expense.

NOTE 9. LONG-TERM DEBT (CONTINUED)

6. Summary of Revenue Bonds

The following schedule summarizes revenue bonds outstanding at June 30, 2000 (expressed in thousands):

Revenue Bonds Outstanding	Dates Issued	Maturity Dates	Interest Rates	Amount Authorized	Amount Issued	Outstanding Balance at June 30, 2000
Primary Government:						
Department of Transportation	1988-1999	2002-2019	3.90-8.80 %	$ 2,041,183	$ 2,041,183	$ 1,337,108
University Revenue Bonds	1961-2000	2001-2025	3.00-7.10	939,186	866,086	567,659
Proprietary and Fiduciary Fund Types						
Component Units:						
University Medical Center	1991-1993	2000-2021	5.53-6.86	133,810	133,810	74,972
Arizona Power Authority	1993	2003-2017	4.90-5.40	68,945	68,945	67,516
Water Infrastructure Finance Authority	1992-1999	2005-2017	3.70-6.10	143,715	143,715	141,654

Future debt service principal payments on revenue bond issues for fiscal years ended June 30 are summarized below (expressed in thousands):

	Principal						
	Primary Government			Proprietary and Fiduciary Fund Types Component Units			
Fiscal Year	ADOT	Universities	Total Primary Government	University Medical Center	Arizona Power Authority	Water Infrastructure Finance Authority	Total Component Units
2001	$ 187,425	$ 27,640	$ 215,065	$ 2,420	$ -	$ 3,700	$ 6,120
2002	179,875	30,730	210,605	2,580	-	5,735	8,315
2003	188,285	32,530	220,815	2,715	1,450	6,080	10,245
2004	196,560	34,297	230,857	2,860	2,320	6,450	11,630
2005	206,585	36,247	242,832	3,020	2,545	7,435	13,000
Thereafter	378,378	406,215	784,593	61,377	61,201	112,254	234,832
Total	$ 1,337,108	$ 567,659	$ 1,904,767	$ 74,972	$ 67,516	$ 141,654	$ 284,142

Principal and interest debt service payments on revenue bonds outstanding at June 30, 2000 are as follows (expressed in thousands):

	Annual Debt Service					
	Primary Government			Proprietary and Fiduciary Fund Types Component Units		
Fiscal Year	Total Principal	Total Interest	Total Primary Government	Total Principal	Total Interest	Total Component Units
2001	$ 215,065	$ 110,756	$ 325,821	$ 6,120	$ 14,983	$ 21,103
2002	210,605	101,031	311,636	8,315	14,623	22,938
2003	220,815	91,298	312,113	10,245	14,231	24,476
2004	230,857	80,571	311,428	11,630	13,737	25,367
2005	242,832	69,770	312,602	13,000	13,146	26,146
Thereafter	784,593	436,135	1,220,728	234,832	97,964	332,796
Total	$ 1,904,767	$ 889,561	$ 2,794,328	$ 284,142	$ 168,684	$ 452,826

Changes in revenue bonds for fiscal year 2000 are summarized below (expressed in thousands):

	Primary Government	Component Units	Total Bonds Outstanding
Balance at July 1, 1999	$ 1,816,601	$ 289,167	$ 2,105,768
New bonds issued	316,106	64,201	380,307
Bonds retired	(227,940)	(69,226)	(297,166)
Balance at June 30, 2000	$ 1,904,767	$ 284,142	$ 2,188,909

NOTE 9. LONG-TERM DEBT (CONTINUED)

B. CERTIFICATES OF PARTICIPATION

The State has issued Certificates of Participation (COPs) to finance construction or improvements of office buildings that are primarily leased to State agencies. The COPs mature serially at six-month intervals. The State lease payments are made to a trustee. The lease provides that the obligation of the State to make lease payments is subject to annual appropriation by the State Legislature.

The State records COPs at the outstanding balance less cash with trustee except for the Universities and the Industrial Commission that are recorded at the outstanding balance. The cash with trustee is a reserve for the COPs.

Capitalized interest costs include interest incurred during the construction of an asset.

The 1985 COPs for the Industrial Commission were issued to refund the 1984 certificates that were issued to finance the cost of acquiring and constructing a building. The lease agreement provides that the title will pass to the Industrial Commission at the end of the lease term, once the COPs are completely redeemed. The refunded amount was $17.500 million. This amount is considered paid and is not included in the outstanding amounts.

The February 1992, June 1992 and November 1992 (in part) COPs for the Department of Administration were issued to refund the August 1986, October 1988 and December 1986 certificates, respectively. The total amount refunded was $161.530 million. This amount is considered paid and is not included in the outstanding amounts.

The December 1993 COPs for the Department of Administration were issued to refund the December 1989 and October 1990 certificates. The total amount refunded was $31.815 million. This amount is considered paid and is not included in the outstanding amounts.

On August 19, 1999, the University of Arizona issued Certificates of Participation Series 1999A for $21.607 million and Series 1999B for $36.5 million. The proceeds are being used to construct the new Student Union and Bookstore Facility.

The Series 1999A Student Union and Bookstore Facility Certificates of Participation include $19.266 million of fixed rate current interest certificates and $2.341 million of capital appreciation certificates. The fixed rate current interest certificates have interest rates ranging from 5 to 5.125 percent and maturity dates ranging from 2012 to 2024. The capital appreciation certificates are not subject to redemption prior to maturity, and have interest rates ranging from 5.15 to 5.3 percent and maturity dates from 2012 to 2016.

At June 30, 2000, these capital appreciation certificates are recorded in the amount of $2.448 million, which is the value of the certificates at maturity of $4.990 million less the unamortized discount of $2.542 million.

The Series 1999B Student Union and Bookstore Facility issue includes variable rate current interest certificates that bear interest at a weekly rate determined by PaineWebber, as the remarketing agent. These certificates are subject to conversion, at the option of the Arizona Board of Regents, to an adjustable rate, an annual rate, or a term rate pursuant to the documents. If not converted, the certificates will bear interest at a weekly rate not to exceed 12 percent determined under prevailing market conditions by the remarketing agent.

On December 15, 1999, the University of Arizona issued $18.635 million Certificates of Participation, Series 1999 (1999 Certificates). The 1999 Certificates include $4.625 million of serial certificates with interest rates ranging from 4.2 to 5.375 percent, and maturity dates ranging from 2001 to 2014. The 1999 Certificates also include $6.035 million of term certificates due June 1, 2019, and $7.975 million of term certificates due June 1, 2024, both with an interest rate of 5.75 percent. The proceeds are being used to construct the Tyndall Avenue Garage and to acquire and expand Pima Residence Hall. The 1999 Certificates maturing on June 1, 2019, are subject to mandatory sinking fund redemption in part on June 1 of the years 2015 through 2018 at par in the amounts set forth in the debt documents. The 1999 Certificates maturing on June 1, 2024, are subject to mandatory sinking fund redemption in part on June 1 of the years 2020 through 2023 at par in the amounts set forth in the debt documents.

On October 1, 1999, Arizona State University issued Certificates of Participation 99A and 99B for $5.6 and $5.2 million, respectively. The proceeds were used to acquire the Downtown Center.

A summary of the COPs issued as of June 30, 2000, is as follows (expressed in thousands):

Project	Issue Date	Maturity Date	Interest Rates
Arizona State University:			
Towers Project	1991	2010	6.89%
West Campus – Refunding	1993	2009	5.18
Downtown Center 99A	1999	2024	5.75
Downtown Center 99B	1999	2024	8.00
Industrial Commission Special Fund	1985	2005	5.10 – 6.75

NOTE 9. LONG-TERM DEBT (CONTINUED)

Project	Issue Date	Maturity Date	Interest Rates
Department of Revenue/			
Department of Economic Security	1992	2005	5.00 - 6.50%
Capitol Center/RTC	1992	2007	3.00 - 6.10
Arizona Municipal Financing Program	1992	2004	3.40 - 6.10
University of Arizona:			
Telecommunications	1991	2012	4.60 - 6.50
Educational	1992	2007	3.20 - 6.25
Residence Life	1994	2014	4.10 - 5.80
Maingate Admin.	1994	2024	4.25 - 6.00
Alumni Foundation	1997	2008	3.80 - 4.50
Student Union 99A	1999	2024	5.00 – 5.30
Student Union 99B	1999	2024	Variable not to exceed 12%
Tyndall Garage/Pima Residence Hall	1999	2024	4.20 – 5.75
School for the Deaf and Blind / Game and Fish	1993	2011	2.75 - 5.00
Prisons*	1991	2005	4.50 - 6.40
AHCCCS	1994	2005	6.66

Project	Amount Authorized and Issued	Outstanding Balance	Cash with Trustee	Net COP Liability
Enterprise Funds:				
Industrial Commission Special Fund	$ 17,500	$ 9,800	$ 3,286	$ 6,514
General Long-Term Debt:				
Department of Revenue/				
Department of Economic Security	22,125	17,630	2	17,628
Capitol Center/RTC	32,895	14,175	6	14,169
Arizona Municipal Financing Program	129,640	100,240	13,124	87,116
School for the Deaf and Blind/Game and Fish	31,250	22,655	2	22,653
Prisons *	55,080	39,750	5,054	34,696
AHCCCS	12,642	7,189	-	7,189
Total General Long-Term Debt	283,632	201,639	18,188	183,451
University Funds:				
Arizona State University:				
Towers Project	4,500	3,320	446	2,874
West Campus - Refunding	46,905	40,305	5,447	34,858
Downtown Center – A	5,620	5,620	1	5,619
Downtown Center – B	5,165	5,165	34	5,131
University of Arizona:				
Telecommunications	25,995	16,115	3,886	12,229
Educational	4,670	2,955	482	2,473
Residence Life	16,725	14,220	1,504	12,716
Maingate Admin.	16,170	15,095	1,224	13,871
Alumni Foundation	2,965	2,455	318	2,137
Student Union A&B	58,107	58,214	43,260	14,954
Parking Garage/Residence Hall	18,635	18,635	8,451	10,184
Total University Funds	205,457	182,099	65,053	117,046
Total Certificates of Participation	$ 506,589	$ 393,538	$ 86,527	$ 307,011

* The Prisons issue was a sale-leaseback transaction involving two prison units that are a portion of the Eyman Complex at the Arizona State Prison in Florence, Arizona. The proceeds of the issue were used to reimburse the General Fund for the ENSCO settlement.

NOTE 9. LONG-TERM DEBT (CONTINUED)

Principal and interest debt service requirements on COPs outstanding at June 30, 2000, are as follows (expressed in thousands):

	Annual Debt Service		
Fiscal Year	Total Principal	Total Interest	Total Amount Required
2001	$ 22,282	$ 21,965	$ 44,247
2002	23,894	20,567	44,461
2003	23,033	19,243	42,276
2004	24,292	17,949	42,241
2005	25,777	16,556	42,333
Thereafter	274,260	108,901	383,161
Total	$ 393,538	$ 205,181	$ 598,719

Changes in COPs for fiscal year 2000 are summarized below (expressed in thousands):

Balance at July 1, 1999	$ 326,873
New COPs issued	87,634
COPs retired	(20,969)
Balance at June 30, 2000	$ 393,538

C. LEASES AND INSTALLMENT PURCHASES

1. Leases

The total operating lease expenditures for the fiscal year ended June 30, 2000, were $49.708 million for the primary government and $1.223 million for the Component Units. The future minimum lease payments for long-term operating leases as of June 30, 2000, are summarized below (expressed in thousands):

	Primary Government				
Fiscal Year	Governmental & Expendable Trust Funds	Proprietary Funds	University Funds	Component Units	Total
2001	$ 30,864	$ 116	$ 844	$ 1,012	$ 32,836
2002	24,752	93	739	911	26,495
2003	18,330	86	272	677	19,365
2004	12,655	41	190	143	13,029
2005	6,990	3	-	131	7,124
Thereafter	7,387	-	-	5	7,392
Total Future Minimum Payments	$ 100,978	$ 339	$ 2,045	$ 2,879	$ 106,241

Many operating leases are for buildings and land leased by State agencies. Although these leases are considered to be long-term, they are cancelable under certain circumstances.

* An agency must be able to cancel the lease if monies are not appropriated to cover the lease expenditures.
* If an agency is ordered to move into State-owned property and a 60-day notice is given, the lease can be canceled without penalty.
* In situations where the use of the leased property is dependent on the use of Federal monies, the lease must be cancelable in the event Federal monies are no longer available.

NOTE 9. LONG-TERM DEBT (CONTINUED)

The State has incurred capital leases for the acquisition of telephone systems, copy machines and other equipment.

The future minimum lease payments for long-term capital leases (all primary government) as of June 30, 2000, are summarized below (expressed in thousands):

Fiscal Year	General Long-Term Debt Account Group	Proprietary Funds	University Funds	Total
2001	$ 2,519	$ 2,480	$ 3,807	$ 8,806
2002	2,373	2,478	3,374	8,225
2003	1,728	2,477	2,822	7,027
2004	1,391	2,477	2,403	6,271
2005	1,169	702	1,207	3,078
Thereafter	5,208	-	619	5,827
Total future minimum payments	14,388	10,614	14,232	39,234
Less: interest and executory costs	2,803	1,084	1,707	5,594
Net Liability at June 30, 2000	$ 11,585	$ 9,530	$ 12,525	$ 33,640

2. Installment Purchases

The State has installment purchase contracts payable for acquisitions of computer and other equipment. Installment purchases for the Governmental Funds are reported in the General Long-Term Debt Account Group and the related assets are reported in the General Fixed Assets Account Group. Installment purchases for the University Funds are reported as a long-term obligation, together with the related assets.

The future minimum payments for long-term installment purchases (all primary government) as of June 30, 2000, are summarized below (expressed in thousands):

Fiscal Year	General Long-Term Debt Account Group	University Funds	Total
2001	$ 3,274	$ 1,676	$ 4,950
2002	1,828	1,656	3,484
2003	1,288	1,597	2,885
2004	477	1,223	1,700
2005	13	1,214	1,227
Thereafter	-	6,675	6,675
Total future minimum payments	6,880	14,041	20,921
Less: interest and executory costs	465	4,206	4,671
Net Liability at June 30, 2000	$ 6,415	$ 9,835	$ 16,250

3. Summary of Changes

A summary of the changes in capital leases and installment purchase obligations follows (expressed in thousands):

	Balance July 1, 1999	New Contracts	Principal Reduction	Balance June 30, 2000
General Long-Term Debt Account Group	$ 22,223	$ 3,543	$ 7,766	$ 18,000
Proprietary Funds	11	10,943	1,424	9,530
University Funds	7,087	17,464	2,191	22,360
Total	$ 29,321	$ 31,950	$ 11,381	$ 49,890

NOTE 9. LONG-TERM DEBT (CONCLUDED)

D. SUMMARY OF CHANGES IN THE GENERAL LONG-TERM DEBT ACCOUNT GROUP

The following is a summary of changes in the General Long-Term Debt Account Group (expressed in thousands):

Type of Debt	Balance July 1, 1999	Additions	Retirements	Balance June 30, 2000
Revenue Bonds	$ 1,257,492	$ 279,806	$ 200,190	$ 1,337,108
Certificates of Participation	198,246	-	14,795	183,451
Capital Leases	10,317	3,257	1,989	11,585
Installment Contracts	11,906	286	5,777	6,415
Subtotal	1,477,961	$ 283,349	$ 222,751	1,538,559
Compensated Absences	139,905			155,844
Total	$ 1,617,866			$ 1,694,403

NOTE 10. INTERFUND TRANSACTIONS

A. INTERFUND BALANCES AND OPERATING TRANSFERS

Interfund balances, as of June 30, 2000, and operating transfers, for the year ended June 30, 2000, are as follows:

Fund	Due From Other Funds	Due To Other Funds	Operating Transfer In	Operating Transfer Out
Primary Government:				
General Fund	$ 21,701	$ 26,518	$ 174,586	$ 991,382
Special Revenue Funds:				
General Government	13,879	1,697	19,641	5,077
Health and Welfare	11,980	3,928	22,316	52,771
Inspection and Regulation	399	618	759	7,729
Education	-	-	92	25
Protection and Safety	1,581	2	2,229	23,957
Transportation	1,842	6,948	49,506	267,526
Natural Resources	8,278	935	21,994	3,622
Total Special Revenue Funds	37,959	14,128	116,537	360,707
Debt Service Funds:				
Department of Transportation	-	-	76,483	-
Maricopa RARF	-	-	150,636	-
Certificates of Participation	-	-	24,209	-
Total Debt Service Funds	-	-	251,328	-
Capital Projects Funds:				
ADOT Debt Financed	-	1,842	-	41,153
Maricopa RARF Financed	-	-	-	7,353
Other	477	8	21,050	6,582
Total Capital Projects Funds	477	1,850	21,050	55,088
Enterprise Funds:				
Lottery	-	9,267	-	42,515
Arizona Exposition and State Fair	-	-	-	133
Arizona Highways Magazine	-	-	-	180
Arizona Correctional Industries	-	1,000	-	270
Arizona Industries for the Blind	-	-	-	410
Healthcare Group of Arizona	2,393	-	7,031	66
Other	466	1	-	524
Total Enterprise Funds	2,859	10,268	7,031	44,098

NOTE 10. INTERFUND TRANSACTIONS (CONTINUED)

Primary Government (Continued):

Internal Service Funds:				
Risk Management	$ -	$ 44	$ 376	$ 724
Transportation Equipment	68	-	-	789
Technologies and Telecommunication	1,324	12	-	739
Motor Pool	1,121	5	-	32
Other	231	677	2,124	1,935
Total Internal Service Funds	2,744	738	2,500	4,219
Expendable Trust Funds:				
Unemployment Compensation	-	338	-	1,914
Employee Benefits	368	1,354	191,071	3
Energy Conservation	-	2	-	106
Other	257	279	9,457	967
Total Expendable Trust Funds	625	1,973	200,528	2,990
Non-Expendable Trust Funds:				
Land Endowments	1,123	559	-	380
Other	2,000	-	2,000	-
Total Non-Expendable Trust Funds	3,123	559	2,000	380
Pension Trust Funds:				
State Retirement	-	-	-	9,641
Public Safety	-	-	658	1,171
Elected Officials	-	-	2,083	95
Corrections	-	-	-	686
Total Pension Trust Funds	-	-	2,741	11,593
Investment Trust Funds:				
Central Arizona Conservation District	756	-	-	-
Local Government Investment Pool	16,724	-	-	-
Local Government Investment Pool – Government	1,360	-	-	-
Total Investment Trust Funds	18,840	-	-	-
Agency Funds:				
Other Treasurer Funds	-	29,345	-	-
Other	-	2,949	-	-
Total Agency Funds	-	32,294	-	-
Total Trust and Agency Funds	22,588	34,826	205,269	14,963
University Funds:	4,818	4,818	753,601	61,426
Total per Financial Statements – Primary Government	$ 93,146	$ 93,146	1,531,902	1,531,883
Component Units:				
Arizona Power Authority			-	19
Total Reporting Entity			$ 1,531,902	$ 1,531,902

NOTE 10. INTERFUND TRANSACTIONS (CONCLUDED)

B. RESIDUAL EQUITY TRANSFERS

Residual equity transfers occur when nonroutine transfers are made from one fund to another. During fiscal year 2000, funds were transferred based upon House Bill 2323 passed during the 1998 legislative session. In addition, excess funds were transferred to the General Fund and Special Revenue Funds based upon Senate Bill 1003 passed during the 1999 first special session.

During fiscal year 2000, ComCare, Inc., completed a formal plan of liquidation whereby a trust was established to receive ComCare's net assets after settlement of liabilities. Pursuant to the trust agreement, ComCare was required to transfer liquidated amounts to the trust (see Note 16).

For the fiscal year ended June 30, 2000, residual equity transfers were made as follows (expressed in thousands):

	Transfers In	Transfers Out
General Fund	$ 4,394	$ 1,454
Special Revenue Funds:		
General Government	216	-
Health and Welfare	1,454	-
Protection and Safety	750	1,000
Transportation	-	750
Natural Resources	56	-
Enterprise Funds:		
Lottery	-	2,394
Arizona Correctional Industries	-	1,000
ComCare	-	10,000
Expendable Trust Funds:		
Other	10,000	272
Total Residual Equity Transfers	$ 16,870	$ 16,870

NOTE 11. SEGMENT INFORMATION FOR ENTERPRISE FUNDS AND PROPRIETARY AND FIDUCIARY FUND TYPES COMPONENT UNITS

A. ENTERPRISE FUNDS

The State groups its Enterprise Funds as follows:

* Industrial Commission - Administers and enforces the employment laws of the State, including the regulation of workers' compensation.

* Lottery - Accounts for lottery ticket revenues, administrative and operating expenses and distribution of revenues to other Funds.

* Arizona Exposition and State Fair - Provides rental space to a variety of entertainment and promotional lessees, and sponsors the annual State Fair.

* Arizona Highways Magazine - Publishes and markets the Arizona Highways Magazine and various other products that promote the State of Arizona.

* Arizona Correctional Industries - Employs prison inmates in its manufacturing, service and agricultural operations for the sale of goods and services primarily to other State agencies (including the Arizona Department of Corrections) and political subdivisions.

* Arizona Industries for the Blind - Accounts for the manufacturing, sale, distribution and marketing of products manufactured by employees at training centers, workshops, business enterprises and home industries programs for the training and employment of adaptable visually impaired persons.

* Healthcare Group of Arizona - Administers prepaid medical coverage primarily to small uninsured businesses with 2 - 50 employees and employees of political subdivisions.

* Arizona Beef Council - A not-for-profit organization that was created to establish a self-financed program to help develop and maintain state, national and foreign markets for beef and beef products.

* ComCare, Inc. - A nonprofit corporation responsible for the administration, coordination and delivery of comprehensive behavioral health services to residents of Maricopa County through a network of more than 130 provider agencies/individuals.

* Other Enterprise Funds - Consists of Arizona Historical Society Revolving Fund, Mines and Mineral Resources Printing Revolving Fund, Game and Fish Publications Revolving Fund, Department of Library and Archives Gift Shop Revolving Fund, Southern Arizona Mental Health Center Enterprise Fund, Land Department Resource Analysis Revolving Fund, State Parks Publications and Souvenirs Revolving Fund, Real Estate Printing Revolving Fund, Education Commodity Fund, Indian Affairs Commission Publications Revolving Fund, the School for the Deaf and Blind Facilities Use Fund, the State Home for Veterans and the Cooperative State Purchasing Agreement Fund.

B. PROPRIETARY AND FIDUCIARY FUND TYPES COMPONENT UNITS

* State Compensation Fund – Established by the Legislature for the purpose of insuring employers against liability for workers' compensation; occupational disease compensation; and medical, surgical and hospital benefits.

* University Medical Center - A 365-bed, general acute-care teaching facility in Tucson, Arizona. It is the primary teaching hospital for the College of Medicine, College of Nursing and the College of Pharmacy for the University of Arizona.

* Arizona Power Authority - Purchases the State's allocation of Hoover power and resells it to Arizona entities that are eligible purchasers under federal and state laws. Hoover power is produced by the Bureau of Reclamation at the federally-owned Boulder Canyon Project hydropower plant, located near Las Vegas, Nevada.

* Water Infrastructure Finance Authority (WIFA) - The WIFA is authorized to administer the Clean Water Revolving Fund and the Drinking Water Revolving Fund. The Clean Water Revolving Fund was created pursuant to the Federal Water Pollution Control Act of 1972, as amended by the Water Quality Act of 1987 (Clean Water Act) which required the State to establish the Clean Water Revolving Fund to accept federal capitalization grants for publicly owned wastewater treatment projects. The WIFA has entered into an agreement this year with the Environmental Protection Agency to administer the Drinking Water Revolving Fund pursuant to the Safe Drinking Water Act.

NOTE 11. SEGMENT INFORMATION FOR ENTERPRISE FUNDS AND PROPRIETARY AND FIDUCIARY FUND TYPES COMPONENT UNITS (CONTINUED)

Enterprise Funds segment information for the fiscal year ended June 30, 2000, is shown below (expressed in thousands):

Description	Industrial Commission	Lottery	Arizona Exposition and State Fair	Arizona Highways Magazine
Operating Revenues	$ 16,166	$ 256,821	$ 11,282	$ 11,189
Operating Expenses:				
Depreciation	505	314	1,067	367
Other	19,798	211,311	10,803	11,251
Operating Income (Loss)	(4,137)	45,196	(588)	(429)
Net Non-Operating Income (Loss)	(516)	-	747	103
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	(42,515)	(133)	(180)
Net Income (Loss)	$ (4,653)	$ 2,681	$ 26	$ (506)
Current Assets	$ 51,820	$ 31,521	$ 8,298	$ 7,204
Current Liabilities	63,080	33,442	284	4,829
Net Working Capital	$ (11,260)	$ (1,921)	$ 8,014	$ 2,375
Property and Equipment:				
July 1, 1999, as restated	$ 19,216	$ 8,676	$ 22,846	$ 4,194
Additions	608	155	83	80
Deletions	153	132	121	853
June 30, 2000	$ 19,671	$ 8,699	$ 22,808	$ 3,421
Certificates of Participation	$ 8,700	$ -	$ -	$ -
Contributed Capital	$ -	$ -	$ -	$ 1,539
Residual Equity Transfer Out	$ -	$ (2,394)	$ -	$ -
Total Assets	$ 289,843	$ 41,676	$ 13,925	$ 9,269
Total Liabilities	217,323	33,780	438	4,829
Fund Equity	$ 72,520	$ 7,896	$ 13,487	$ 4,440

NOTE 11. SEGMENT INFORMATION FOR ENTERPRISE FUNDS AND PROPRIETARY AND FIDUCIARY FUND TYPES COMPONENT UNITS (CONTINUED)

Arizona Correctional Industries	Arizona Industries for the Blind	Healthcare Group of Arizona	Arizona Beef Council	ComCare	Other Enterprise Funds	Total
$ 18,619	$ 14,369	$ 19,536	$ 654	$ 3,948	$ 11,177	$ 363,761
721	715	10	4	-	470	4,173
16,558	14,366	26,636	642	3,511	10,511	325,387
1,340	(712)	(7,110)	8	437	196	34,201
344	1,324	180	4	800	(1,775)	1,211
-	-	7,031	-	-	-	7,031
(270)	(410)	(66)	-	-	(524)	(44,098)
$ 1,414	$ 202	$ 35	$ 12	$ 1,237	$ (2,103)	$ (1,655)
$ 12,826	$ 5,702	$ 8,061	$ 215	$ 11,248	$ 1,898	$ 138,793
2,656	2,469	5,121	38	4,482	540	116,941
$ 10,170	$ 3,233	$ 2,940	$ 177	$ 6,766	$ 1,358	$ 21,852
$ 8,354	$ 5,776	$ 76	$ 42	$ 100	$ 14,514	$ 83,794
650	570	-	4	-	77	2,227
205	-	-	17	98	134	1,713
$ 8,799	$ 6,346	$ 76	$ 29	$ 2	$ 14,457	$ 84,308
$ -	$ -	$ -	$ -	$ -	$ -	$ 8,700
$ 3,180	$ 927	$ -	$ -	$ -	$ -	$ 5,646
$ (1,000)	$ -	$ -	$ -	$ (10,000)	$ -	$ (13,394)
$ 16,240	$ 8,389	$ 8,090	$ 224	$ 11,998	$ 14,166	$ 413,820
2,838	2,629	5,121	38	4,482	540	272,018
$ 13,402	$ 5,760	$ 2,969	$ 186	$ 7,516	$ 13,626	$ 141,802

NOTE 11. SEGMENT INFORMATION FOR ENTERPRISE FUNDS AND PROPRIETARY AND FIDUCIARY FUND TYPES COMPONENT UNITS (CONCLUDED)

Proprietary and Fiduciary Fund Types Component Units segment information for the fiscal year ended June 30, 2000 and December 31, 1999, is shown below (expressed in thousands):

	Proprietary Fund Types			Fiduciary Fund Type	
Description	State Compensation Fund	University Medical Center	Arizona Power Authority	Water Infrastructure Finance Authority	Total
Operating Revenues	$ 348,922	$ 259,296	$ 21,865	$ 7,434	$ 637,517
Operating Expenses:					
Depreciation	2,480	17,424	42	-	19,946
Other	303,828	238,495	22,270	1,713	566,306
Operating Income (Loss)	42,614	3,377	(447)	5,721	51,265
Net Non-Operating Income (Loss)	-	160	336	(334)	162
Operating Transfers Out to Primary Government	-	-	(19)	-	(19)
Net Income (Loss)	$ 42,614	$ 3,537	$ (130)	$ 5,387	$ 51,408
Current Assets	$ 404,416	$ 95,082	$ 16,040	$ 45,545	$ 561,083
Current Liabilities	323,549	35,430	5,574	4,561	369,114
Net Working Capital	$ 80,867	$ 59,652	$ 10,466	$ 40,984	$ 191,969
Property and Equipment:					
January 1, 1999, as restated	$ 58,901	$ -	$ -	$ -	$ 58,901
July 1, 1999	-	251,737	1,178	-	252,915
Additions	1,689	11,887	28	-	13,604
Deletions	3,697	3,722	13	-	7,432
December 31, 1999	56,893	-	-	-	56,893
June 30, 2000	$ -	$ 259,902	$ 1,193	$ -	$ 261,095
Revenue Bonds	$ -	$ 72,552	$ 67,516	$ 141,654	$ 281,722
Contributed Capital	$ -	$ -	$ 9	$ 135,047	$ 135,056
Total Assets	$ 2,515,303	$ 228,453	$ 77,130	$ 298,293	$ 3,119,179
Total Liabilities	2,110,059	128,087	73,090	146,366	2,457,602
Fund Equity	$ 405,244	$ 100,366	$ 4,040	$ 151,927	$ 661,577

NOTE 12. FUND EQUITY

A. FUND BALANCES / RETAINED EARNINGS / POLICYHOLDERS' SURPLUS RESTATEMENT

Fund Balance and Retained Earnings at June 30, 1999, and Policyholders' Surplus at December 31, 1998 have been restated as follows (expressed in thousands):

	Primary Government				Component Units
	Special Revenue	Debt Service	Enterprise	Internal Service	State Compensation Fund
Fund Balances/Retained Earnings/Policyholders' Surplus at June 30, 1999 and December 31, 1998, as previously reported	$1,183,462	$ 35,972	$ 151,170	$ (99,656)	$ 320,407
Fund Reclassifications:					
Department of Transportation Warehouse Revolving Fund	260	-	-	54	-
Department of Transportation Agency Deposit Fund	(5,654)	-	-	-	-
Cooperative State Purchasing Agreement Fund	-	-	35	(35)	-
Prior year correction of an error	-	3,014	-	-	-
Accounting basis change:					
State Compensation Fund	-	-	-	-	242,128
Fund Balances/Retained Earnings/Policyholders' Surplus July 1, 1999 and January 1, 1999, as restated	$1,178,068	$ 38,986	$ 151,205	$ (99,637)	$ 562,535

1. Fund Reclassifications

Accounting and reporting treatment applied to a fund is determined by its measurement focus. The following funds' measurement focus changed during the fiscal year:

The Department of Transportation's Warehouse Revolving Fund, part of the Transportation Equipment Fund, was shown as an Internal Service Fund in fiscal year 1999, and has been reclassified as a Special Revenue Fund in fiscal year 2000. The restatement in the Special Revenue Funds of $260 thousand includes contributed capital of $314 thousand and a retained earnings deficit of $54 thousand. This results in a restatement to contributed capital for the Warehouse Revolving Fund. See Note 12.B. below.

The Department of Transportation's Local Agency Deposit Fund was shown as a Special Revenue Fund in fiscal year 1999, and has been reclassified as an Agency Fund in fiscal year 2000.

The Cooperative State Purchasing Agreement Fund provides services to, and recovers its costs primarily from external customers. Accordingly, this fund was reclassified from an Internal Service Fund in fiscal year 1999 to an Enterprise Fund in fiscal year 2000.

2. Prior Year Correction of an Error

The Certificates of Participation Debt Service Fund incorrectly reported a portion of Reserved Fund Balance as a liability in prior years.

3. Accounting Basis Change

The State Compensation Fund previously reported their financial statements on the statutory (Non-GAAP) basis of accounting. For the fiscal year ended December 31, 1999, the State Compensation Fund changed its reporting to generally accepted accounting principles (GAAP). The cumulative effect on Policyholders' Surplus of the change to GAAP basis amounts to $242.128 million, as of January 1, 1999.

B. CHANGES IN CONTRIBUTED CAPITAL

The changes in contributed capital for fiscal year 2000 are shown below (expressed in thousands):

	Restated Beginning Balance July 1, 1999	Contributed Capital Transfers In	Ending Balance June 30, 2000
Enterprise Funds:			
Arizona Correctional Industries	$ 3,167	$ 13	$ 3,180
Internal Service Funds:			
Transportation Equipment	5,793	-	5,793
Motor Pool	15,952	2,005	17,957
Component Units:			
Water Infrastructure Finance Authority	115,408	19,639	135,047

NOTE 12. FUND EQUITY (CONCLUDED)

C. FUND BALANCES / RETAINED EARNINGS DETAIL

The following schedule details fund balances at June 30, 2000 (expressed in thousands):

	Governmental Fund Types				Fiduciary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Trust	University
Fund Balances:						
Reserved for:						
Budget stabilization fund	$ 407,821	$ -	$ -	$ -	$ -	$ -
Highway construction	-	244,962	-	47,993	-	-
Inventory	1,451		-	-	-	-
Loans and financial assistance	-	55,509	-	-	-	-
Retirement benefits	-	-	-	-	30,514,166	-
Trust principal	-	-	-	-	2,177,954	-
Continuing appropriations	72,172	46,638	-	45,874	1,712	-
Debt service	-	-	23,019	-	-	-
Pool participants net assets	-	-	-	-	2,844,688	-
Other	629	14,004	-	17	-	-
Unreserved:						
Restricted	-	-	-	-	-	323,105
Unrestricted:						
Designated	-	-	-	-	-	302,576
Undesignated	952,854	836,260	-	34,053	-	-
Total Fund Balances	$1,434,927	$1,197,373	$ 23,019	$127,937	$ 35,538,520	$ 625,681

Restricted fund balances for University Funds represent restrictions for U.S. Government grants refundable, endowments, quasi-endowments, restrictions for outstanding purchase orders, investment in joint venture and other restrictions of $27.945, $142.378, $34.498, $21.490, $14.000 and $82.794 million, respectively.

Designated fund balances for University Funds represent designations for outstanding purchase orders and other commitments, quasi-endowments, summer sessions, funding of ensuing year's budget and other designations of $41.593, $48.515, $11.099, $0.100 and $201.269 million, respectively.

The following schedule details retained earnings at June 30, 2000, (expressed in thousands):

	Proprietary Fund Types		
	Enterprise	Internal Service	Component Units
Retained Earnings (Deficits):			
Reserved for:			
Capital outlay	$ 2,373	$ -	$ 4,227
Replacement of equipment	-	9,985	966
Continuing appropriations	4,924	938	-
Other	73	-	1,289
Unreserved	128,786	(104,476)	114,795
Total Retained Earnings (Deficits)	$ 136,156	$(93,553)	$ 121,277

D. FUND EQUITY DEFICIT

The Internal Service Fund deficit results from the Risk Management Fund net losses in prior years. The Risk Management Fund deficit of $162.940 million is primarily due to the State's policy of funding less then 100% of the actuarially determined liability. However, 100% of the liability is recorded for financial statement purposes. The entire liability is reflected in the Internal Service Funds, rather than being allocated to other funds, to assist financial statement users in their understanding and analysis of the Risk Management Fund.

NOTE 13. RELATED PARTY TRANSACTIONS

A. ARIZONA STATE UNIVERSITY

Not included in the accompanying financial statements are six financially interrelated organizations that are nonprofit corporations controlled by separate Boards of Directors whose goals are to support Arizona State University. Financial statements of these organizations are audited by independent auditors.

Four of these financially interrelated organizations (the Arizona State University Alumni Association, Arizona State University Foundation, Sun Angel Foundation and the Sun Angel Endowment) receive funds primarily through donations and dues, and contribute funds to the University for support of various programs.

A fifth financially interrelated organization, Price-Elliott Research Park, Inc. (Park), is developing a research park to promote and support research activities, in coordination with the University. In developing the research park, the Park has issued bonds guaranteed by the University.

As of June 30, 2000, the Park had $18.170 million of revenue bonds outstanding at an average interest rate of 5.26%. The debt service on the bonds is secured by a subordinated lien on University Main Campus revenues. Park revenues are not pledged in order to provide development flexibility to the Park.

Annual debt service on the Park bonds will be $983 thousand in fiscal year 2001 and varies from a low of $898 thousand in fiscal year 2004 to a high of $1.698 million in fiscal year 2006. The University is obligated to pay the annual debt service, if not paid by the Park, under a debt service assurance agreement.

Beginning in fiscal year 1990, the University provided operating cash advances to the Park repayable with interest to the University (1) upon the Park's total gross receipts for a fiscal year exceeding its total disbursements for that fiscal year and (2) before any Park surpluses are transferred to the Arizona State University Foundation, for the benefit of Arizona State University. The last year for cash transfers to the Park was fiscal year 1998. Since the Park's repayment to the University was dependent upon successful future operations and entering into of additional land leases, the transfers to the Park were recorded by the University as current year expenditures when made and not as an asset on the University's balance sheet. Total cash advances repayable to the University at June 30, 2000, including the accrued interest, totaled $8.075 million. During fiscal year 2000, the Park repaid $685 thousand to the University, with this amount being recorded as other source revenues with the timetable for future repayments dependent upon the Park entering into additional land leases.

A sixth financially interrelated organization, the Collegiate Golf Foundation, operates a University-owned golf course.

Assets, net assets, and revenues for these organizations for the most recent fiscal years for which audits have been completed aggregated $257.2, $194.5, and $79.2 million, respectively, with substantially all of the net assets being donor restricted or endowment funds.

B. NORTHERN ARIZONA UNIVERSITY

The financial activities of the Northern Arizona University Foundation, Inc., are not included in the accompanying financial statements. The foundation is a nonprofit corporation controlled by a separate Board of Directors. The goals of the foundation are to promote the cause of education and the objectives of the University.

C. UNIVERSITY OF ARIZONA

The accompanying financial statements do not include the operations of the University of Arizona Foundation, Inc., the University Physicians, Inc., the Arizona Research Park Authority, and the Campus Research Corporation.

The University of Arizona Foundation, Inc. (Foundation) is a nonprofit corporation controlled by a separate Board of Directors. The principal goals of the Foundation are to support the University of Arizona through various fund-raising activities, and to contribute funds to the University for support of various programs. According to the audited financial statements of the Foundation for the year ended June 30, 1999, assets, liabilities, revenues, and expenditures totaled $247, $24, $69, and $39 million, respectively.

The University Physicians, Inc. (UPI) is a nonprofit corporation established to support the University of Arizona in achieving its teaching and research missions through the provision of patient care. UPI is controlled by a Board of Directors, comprised of the Dean, three faculty physicians, a representative of the twelve clinical department heads and three community members. According to the audited financial statements of UPI for the year ended June 30, 1999, assets, liabilities, revenues and expenditures totaled $83, $44, $129 and $131 million, respectively.

The Arizona Research Park Authority (ARPA) is a nonprofit corporation created under the auspices of the Arizona Board of Regents (ABOR) and designated by Arizona law as a political subdivision of the State, governed by a separate board of directors which by law may not include officers or employees of ABOR. ARPA was established under the State's industrial development authority statute to assist in the acquisition, improvement, and operation of university research parks and related properties. In August 1994, ARPA, with the approval of ABOR, sold $98 million

NOTE 13. RELATED PARTY TRANSACTIONS (CONCLUDED)

of nontransferable special revenue bonds to International Business Machines Corporation (IBM) to enable the University to acquire from IBM a 345-acre developed industrial site near Tucson, Arizona, together with 1,000 acres of adjacent unimproved land (collectively, the University of Arizona Science and Technology Park or the "Park"). The bonds are payable solely from lease rentals paid by IBM. If IBM defaults or cancels its lease, the bonds must be surrendered and discharged. Title to the entire Park resides in the University and neither the Park nor any payments by the University secures ARPA's bonds. Since the original transaction, IBM has reduced its leasehold to 70% of the building space for periods up to the remaining term of 24 years. Audited financial statements are not available.

The Campus Research Corporation (CRC) is a nonprofit corporation governed by a separate Board of Directors and was established to assist the University in the acquisition, improvement, and operation of the Park and related properties. CRC leases from the University the remaining 30% of the building space of the Park that is not leased to ARPA (see preceding paragraph). CRC is responsible for assisting in the development of the presently undeveloped portions of the Park and for subleasing to the University or to third parties currently existing unoccupied space, newly developed space, and space now occupied by IBM or its subtenants once the current subleases expire. The University is responsible for payment of operational expenses associated with the space occupied by the University departments, offices, and programs. All income received by CRC from its activities, after payment of expenses and financial reserves, will be distributed to the University.

CRC's June 30, 2000, audited financial statements disclosed:

- $10.315 million total assets, including $6.299 million of net intangible assets, the major components of which relate to leasehold interest and deferred leasing costs.
- $4.980 million total liabilities, including $4.444 million long-term debt in the form of two collateralized notes payable to Wells Fargo, Arizona.
- $6.159 million total revenues, primarily consisting of rental income from the Park and related properties.
- $4.216 million total expenses, including $1.897 million of project operating costs and $662 thousand amortization of intangible assets.

CRC's audited financial statements may be obtained by writing to P.O. Box 210066, Tucson, Arizona 85721-0066.

D. UNIVERSITY MEDICAL CENTER

The University Medical Center (UMC) and the University of Arizona (the University) both provide and receive services from each other under various contracts. Payments to the University by the UMC include resident and intern salaries, utilities, ground maintenance, mailroom operations and various administrative functions. Amounts paid to the University for these services were $12.575 million for the year ended June 30, 2000.

The UMC has entered into contractual agreements with the University to provide support for the academic mission of the University. Charges to the University for such services and facilities provided by the UMC were $9.572 million for the year ended June 30, 2000. These amounts are included in other operating revenue in the accompanying financial statements.

University Physicians, Inc. (UPI) is a not-for-profit corporation whose members are physicians employed by the University and who practice at the UMC. The UMC has agreements with UPI whereby UPI provides physician and other services to the UMC.

NOTE 14. JOINT VENTURE

UNIVERSITY OF ARIZONA

The University of Arizona (the University) is a participant in the Large Binocular Telescope Corporation (LBT). LBT was formally incorporated as a not-for-profit corporation in August 1992, pursuant to a Memorandum of Understanding, as amended, executed on February 24, 1989, between the University and the Arcetri Astrophysical Observatory in Florence, Italy (Arcetri). The purpose of the joint venture is to design, develop, construct, own, operate and maintain a binocular telescope currently being constructed in Arizona. The current members of LBT are the University, Arcetri Research Corporation, Ohio State University and LBT Beteiligungsgesellschaft.

The University has committed resources equivalent to 25% of the project's construction costs and LBT's annual operating costs. As of June 30, 2000, the University has made cash contributions of $14.0 million toward the project's construction costs. The University's financial interest represents its future viewing/observation rights. Upon completion of construction, viewing rights will be divided equally among the participants in proportion to their contributions. According to the audited financial statements of LBT for the year ended December 31, 1999, assets, liabilities, revenues and expenditures totaled $61.0 million, $2.0 million, $12.0 million and $600 thousand, respectively.

NOTE 15. COMMITMENTS, CONTINGENCIES AND COMPLIANCE

A. RISK MANAGEMENT INSURANCE LOSSES

The Department of Administration - Risk Management Section manages the State's property, environmental, liability and workers' compensation losses. The State has determined that the management of these losses can be performed effectively and efficiently through the Risk Management Section. Consequently, all agencies and the State's three universities are required to participate in this program. The State's Risk Management Section evaluates the proper mix of purchased commercial insurance and self insurance annually.

The management and payment of these losses is accomplished through the funding mechanism of the Risk Management Fund. During fiscal year 2000, the Risk Management Fund and the Workers' Compensation Fund were combined into the Risk Management Fund. As discussed in the following paragraph, an independent annual actuarial analysis is performed to evaluate the needed funding. Once the needed funding is determined, each agency is assessed an annual portion of the necessary funding based on their exposures and prior loss experience.

The State records claims liability when the reported loss is probable and reasonably estimated. On an annual basis an independent actuarial firm is engaged to estimate the State's total year-end outstanding claims liability, which takes into account recorded claims and related allocated claims adjustment expenditures, salvage, subrogation, loss development factors and an estimate for incurred but not reported claims.

Occasionally, the State agrees with claimants to purchase an annuity contract to settle these specific claims when it is determined that it is in the best interest of the State to do so. In these instances, the State requires the claimant to sign an agreement releasing the State from any further obligation. In addition, the State requires that a third party assignment company be named in the contract should the annuity company fail to perform its obligations under the annuity contract. As a result of these requirements, the likelihood that the State will be required to make future payments on these claims is remote.

There have been no significant reductions in the current fiscal year insurance coverage. There have been no settlements that have exceeded insurance premium coverage in the last three years.

As the Workers' Compensation Fund was combined into the Risk Management Fund for fiscal year 2000, changes in the long-term liability balances will be combined and presented only for the Risk Management Fund.

The following table presents the changes in long-term claims liability balances during fiscal years ended June 30, 1999 and June 30, 2000 (expressed in thousands):

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Risk Management Fund:				
1999	$ 196,048	$ 79,533	$ 55,833	$ 219,748
2000	219,748	45,771	52,443	213,076

B. LITIGATION

In *Kerr vs. Waddell*, federal employees have claimed an income tax refund on taxes paid on Federal employee contributions. The Board of Tax Appeals granted these claims for the years before 1991, but has denied the claim for later years. The State did not appeal. The plaintiffs appealed for years after 1990. The Tax Court has denied class certification but has ruled for the plaintiffs on the merits regarding entitlement to refunds for years after 1990. The State has appealed the substantive law issue and the plaintiffs have appealed the denial of class certification. The potential outcome is uncertain at this time. If this case were to have an unfavorable outcome, the State could incur losses ranging from $20 million to $100 million.

In *Hurley Trucking vs. Arizona Department of Transportation*, claimants allege that travel on state, county and city roads built on right-of-ways that cross federal land is not taxable. The Arizona Tax Court has ruled in favor of Hurley and the Department of Transportation has appealed. The potential outcome is uncertain at this time. If the case were to have an unfavorable outcome, the State could incur losses ranging from $72 to $250 million.

NOTE 15. COMMITMENTS, CONTINGENCIES AND COMPLIANCE (CONTINUED)

In *Flores vs. State of Arizona*, the plaintiffs allege that the State has failed to adequately fund and administer bilingual education for limited English proficient students residing in the Nogales Unified School District. On January 24, 2000, the court issued an opinion finding for the plaintiffs. The court has ordered the State to perform a cost study to determine the amount of funding necessary to comply with federal law regarding the education of limited English proficient students. The plaintiffs and the Department of Education intend to present those costs to the Legislature in the upcoming regular session as a request for additional funding. If the Legislature should fail to provide additional funding, the court will likely attempt to order such an appropriation. The amount would likely exceed $1million and be as much as $40 million.

In *Roosevelt Elementary School District No. 66 vs. Jane Dee Hull*, the plaintiffs allege the State failed to fully fund the Building Renewal Fund established by the Students FIRST legislation. On October 13, 2000, the court held that the State did not violate the statutory provisions regarding funding of the Building Renewal Fund for fiscal year 1998-99. However, the court held that neither party was entitled to summary judgement regarding funding for fiscal year 1999-2000, and that in order to prevail on that claim, the plaintiffs would have to demonstrate that they were injured by the alleged underfunding. The potential outcome is uncertain at this time. If the case were to have an unfavorable outcome, the State may be required to provide approximately $25 million in additional funding.

The State is also a defendant in a number of other pending lawsuits. All losses for any unsettled litigation or contingencies are determined on an actuarial basis and included in the Accrued Insurance Losses of the Internal Service Funds.

C. AUDITED FINANCIAL STATEMENTS

The four State pension plans, certain State agencies, commissions and authorities are audited by independent public accountants. Copies of these audits, as well as audits performed by the State Auditor General, are available from the State Library, Archives and Public Records.

D. ACCUMULATED SICK LEAVE

State employees are eligible to receive payment for an accumulated sick leave balance of 500 hours or more with a maximum of 1500 hours upon retirement directly from State service. The benefit value is calculated by taking the State hourly rate of pay at the retirement date, multiplied by the number of sick hours at the retirement date times the eligibility percentage. The eligibility percentage varies based upon the number of accumulated sick hours from 25 percent for 500 hours to a maximum of 50 percent for 1500 hours. The maximum benefit value is $30,000. The benefit is paid out in annual installments over three years. The Retiree Accumulated Sick Leave Fund is accounted for on the financial statements as an Expendable Trust Fund. The long-term portion of the accrued liability is recorded in the General Long Term Debt Account Group. Unused accumulated sick leave of employees of the State, excluding Universities, at June 30, 2000, totaled $251.214 million.

E. UNCLAIMED PROPERTY

The State of Arizona's Uniform Unclaimed Property Act requires deposit of certain unclaimed assets into a managed Agency Fund. ARS §44-323 requires a separate trust fund of not less than $100 thousand to be retained for prompt payment of claims. The excess amount, above that which is required to be retained, is required to be deposited to the General Fund where it is included as Other Revenue. Under a statute that took effect July 1, 1990, up to $1.0 million in unclaimed utility deposits is deposited in the Utility Assistance Fund to help low-income and elderly people make utility deposits and repairs. Fifty-five and twenty percent of the remaining net cash collected, after refunds, is transferred to the Department of Commerce Housing Fund to be used for low-cost housing and the State Treasurer for distribution as provided for in ARS §5-113, respectively. The balance is to be deposited in the General Fund. For fiscal year 2000, $639 thousand was deposited in the Utility Assistance Fund, $11.422 million was deposited in the Housing Fund, $4.153 million was deposited with the State Treasurer and $4.209 million was deposited in the General Fund. A total of approximately $163.746 million has been remitted since inception of the fund. In addition, the State is also holding stock valued at $13.796 million. The remittances to the General Fund and the holdings by the State represent contingencies, as claims for refunds can be made by the owners of the property. The Governmental Accounting Standards Board requires that a liability be reported to the extent that it is probable that escheat property will be reclaimed and paid to claimants. This liability is also reported as a reduction of revenue. This liability is reported in the General Fund because it is the fund to which the property ultimately escheats in Arizona. At June 30, 2000, this amount, reported as Due to Others in the General Fund, is $59.812 million.

F. CONSTRUCTION COMMITMENTS

The Arizona Department of Transportation had outstanding commitments under construction contracts of approximately $687.565 million at June 30, 2000.

G. ARIZONA STATE LOTTERY

Annuities are purchased for all prizes over $400,000 for which winners will receive the jackpot in annual

NOTE 15. COMMITMENTS, CONTINGENCIES AND COMPLIANCE (CONCLUDED)

installments for the Pick on-line game. These annuities are purchased from qualifying insurance companies that have the highest ratings from among A.M. Best Company, Standard & Poor's, Moody, Duff & Phelps or Weiss. The Lottery remains contingently liable on all annuities. Aggregate future payments to prize winners on existing annuities totaled approximately $382.650 million at June 30, 2000. Approximately $255.300 million of the total aggregate future payments relates to annuities purchased from five separate insurance companies, of which approximately $116.900 million relates to a single insurance company.

In 1994, an insurance company from which the Lottery purchased annuities during the period 1983 through 1989 was placed under State supervision. At June 30, 2000, remaining aggregate minimum future payments on such purchased annuities approximated $16.523 million. In 1997, an insurance company from which the Lottery purchased annuities in 1986 was placed under State supervision. At June 30, 2000, remaining aggregate minimum future payments on such purchased annuities approximated $3.497 million. During 1999, an insurance company from which the Lottery purchased annuities in 1984 was placed under State supervision but as of June 30, 2000, was removed from State supervision. At June 30, 2000, remaining aggregate minimum future payments on such purchased annuities approximated $758 thousand. As of September 30, 2000, all four insurance companies were current in their required annuity payments. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the operations or financial position of the Lottery.

NOTE 16. COMCARE, INC.

ComCare, Inc. (ComCare), is an Arizona not-for-profit corporation that was originally founded and dedicated to improving the health and welfare of individuals with substance abuse, behavioral/mental health disorders and serious mental illnesses. Under its contract with the Arizona Department of Health Services (ADHS), ComCare served as the sole Regional Behavioral Health Authority (RBHA) for the Maricopa County under the State behavioral health system through September 18, 1998. As a RBHA, ComCare was responsible for the administration, coordination and delivery of comprehensive behavioral health services to residents of Maricopa County through a network of more than 130 provider agencies/individuals. ComCare's contract with ADHS represented approximately 95% of ComCare's revenue.

The RBHA contract between ADHS and ComCare required ComCare to maintain certain service levels and funding necessary to meet applicable legal requirements imposed on ADHS by state and federal law. Early in 1997, ADHS informed ComCare that certain actions, proposed actions and refusals to act by ComCare constituted breaches of contract regarding (1) potential failures of the State's legal responsibilities to the seriously mentally ill population, (2) required financial standards and (3) the adequacy of the network of subcontracted providers of behavioral health services. ComCare took the position that it was in compliance with the contract and did not modify its conduct. As a result, the Governor issued an executive order, pursuant to ARS §36-3412(E), declaring that an emergency existed in the behavioral health system. Thereafter, ComCare and ADHS began to litigate ComCare's performance under its contract with ADHS. ADHS sought a declaratory judgment that it had statutory authority to "directly operate" ComCare pursuant to ARS 36-3412(D), which provides as follows:

> The department's contracts with regional behavioral health authorities shall include terms authorizing the department to operate a regional behavioral health authority directly. These contract terms shall stipulate the circumstances under which the department could step in for direct operation. The department shall after delivering notice to the regional behavioral health authority in question, operate the regional behavioral health authority for only as long as it is necessary to assure delivery of uninterrupted care to clients and accomplish the orderly transition of those members to a new regional behavioral health authority, to other existing regional behavioral health authorities, or until the regional behavioral health authority in question reorganizes or otherwise corrects the contract performance failure.

On September 5, 1997, after extensive court proceedings in two separate venues, and with a third lawsuit having been filed, ComCare and ADHS agreed to settle all litigation. Under the terms of the settlement, the lawsuits would be dismissed and ADHS would assume direct operation of ComCare pursuant to ARS §36-3412(D). ComCare agreed to reorganize itself to effectuate the transfer of direct operation of ComCare to ADHS. Although ADHS began to directly operate ComCare following the settlement, ComCare continued observing all corporate formalities and continued to provide services and receive payments in accordance with the requirements of the contract between ADHS and ComCare.

NOTE 16. COMCARE, INC. (CONCLUDED)

ComCare's contract with ADHS expired September 18, 1998. ADHS awarded the contract to a separate unrelated entity, ValueOptions, a division of FHC Health Systems. ComCare entered into a sub-contract agreement with ValueOptions from September 19, 1998 through February 8, 1999. Under the sub-contract agreement with ValueOptions, ComCare was responsible for the same services previously covered by its contract with ADHS. The remaining 5% of ComCare's revenue stream was generated from housing grants from Department of Housing and Urban Development (HUD) and the Department of Commerce (DOC). The HUD grants were assigned to a third party beginning June 1, 1999. ComCare assigned the remaining DOC grants to a third party beginning in September 1999. Subsequent to February 8, 1999, the majority of ComCare's revenue stream ceased and ComCare disposed of the majority of its assets and terminated the majority of its employees. Revenues and expenses related to these transactions are included in the accompanying financial statements. Accordingly, the carrying values of the remaining assets are presented at estimated net realizable values and all liabilities are presented at estimated settlement amounts. Management believes these amounts approximate the ultimate liquidation amount. It is not presently determinable whether the amounts realizable from the disposition of the remaining assets or the amounts that creditors agree to accept in settlement of the obligations due them will differ materially from the amounts shown in the accompanying financial statements.

On September 30, 1999, ComCare completed a plan of liquidation whereby a liquidating trust (trust) has been established to receive ComCare's net assets after settlement of liabilities. The purpose of the trust will be to distribute the net assets in accordance with ComCare's charitable purpose and for the benefit of behavioral health services as directed by the Trustee. ADHS now serves as the Policy Trustee and ValueOptions now serves as Administrative Trustee. The trust is reported as an Expendable Trust Fund in the accompanying financial statements. At the direction of ADHS, ComCare transferred approximately $10 million to the trust during fiscal year 2000. This transaction is reported as a residual equity transfer in the accompanying financial statements. The remainder of the net assets will be transferred upon final settlement of the remaining obligations of ComCare. The accompanying financial statements do not include any adjustments relating to the ultimate recoverability and classification of asset carrying amounts or the amount and classification of ComCare's existing liabilities or other liabilities that might result from the uncertainty related to the ultimate disposition of ComCare's net assets.

NOTE 17. TOBACCO SETTLEMENT

The State is one of many states participating in the settlement of litigation with the tobacco industry over the reimbursement of healthcare costs. The settlement money is intended to compensate the State for costs it has incurred in providing health and other services to its citizens that were necessitated by the use of tobacco products. The State expects to receive settlement payments through 2025.

The State Specific Finality is the date on which Arizona's interest in its share of the payments "vests." The State obtains State Specific Finality when the State's trial court has approved the master settlement agreement, the consent decree, and dismissed claims against the participating manufacturers and the time to appeal that approval has run without an appeal or, if there is an appeal, that appeal has been resolved in favor of the master settlement agreement being approved. The State achieved State Specific Finality during fiscal year 2000, when, on April 13, 2000, the Arizona State Supreme Court dismissed the lawsuit filed by 12 of the 15 counties in Arizona. The counties' litigation contended that they were eligible for a portion of State's share of the national tobacco settlement.

The State received $120.314 million in May 2000. The State is scheduled to receive a second settlement payment during fiscal year 2001. This payment as well as all other future settlement payments are subject to several adjustments, but the amounts are not presently determinable. These adjustments include a "volume adjustment," which could reflect any decreasing cigarette production under a formula that also takes into account increased operating income from sales. Other factors that might affect the amounts of future payments include ongoing and future litigation against the tobacco industry and the future financial health of the tobacco manufacturers. Because the net realizable value of the future settlement payments is not measurable, the State did not record a receivable for the future payments at June 30, 2000.

NOTE 18. CONDUIT DEBT

In November 1998, the Greater Arizona Development Authority (GADA), part of the primary government, issued $13.270 million in Infrastructure Revenue Bonds, Series 1998 for public infrastructure projects in the communities of Avondale, Goodyear and Winslow.

In May 2000, GADA issued $18.930 million in Infrastructure Revenue Bonds, Series 2000A for public infrastructure projects in the communities of Cottonwood and Gilbert.

The State appropriated $20 million to GADA for the express purpose of securing bonds issued by the GADA. The Series 1998 Bonds and the Series 2000A Bonds were issued by GADA to make loans to the participants listed above and constitute special, limited obligations of GADA payable solely from the funds which are held in Trust by the Trustee (the Trust Estate). The Trust Estate includes debt service payments required to be made by the participants in the Series 1998 and 2000A Bond Issues. The bonds do not constitute a legal debt of the GADA or the State, and accordingly have not been reported in the accompanying financial statements.

At June 30, 2000, Infrastructure Revenue Bonds outstanding aggregated $31.830 million.

NOTE 19. NOTES PAYABLE

In fiscal year 2000, the Transportation Board sold four nonnegotiable board funding obligations in equal amounts of $25 million to the State Treasurer. The authorizing resolutions for the board funding obligations provided for interest rates ranging from 5.7 to 6.7 percent and maturity dates ranging from October 27, 2000, through June 2001. The total principal amount of the board funding obligations at any one time shall not exceed $100 million. The board funding obligations are not obligations that are general, special or otherwise of the State of Arizona. The proceeds from the sale of board funding obligations may be used to make loans or provide other financial assistance to political subdivisions, Indian tribes or this State or its agencies, including the Arizona Department of Transportation, for eligible projects.

NOTE 20. SUBSEQUENT EVENTS

A. PRIMARY GOVERNMENT

1. Department of Transportation

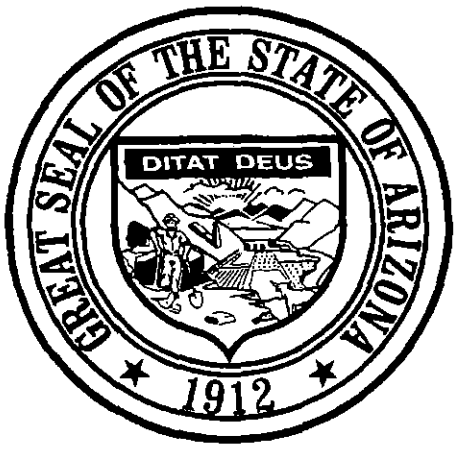
On July 11, 2000, the Department of Transportation issued $39.405 million in Grant Anticipation Notes (Series 2000A) to (1) pay a portion of the costs of acquiring right-of-way for, and design and construction of certain controlled-access highways in the City of Phoenix, Arizona and (2) a portion of the costs of issuing the Series 2000A Notes. The Series 2000A Notes are due January 1, 2003 and January 1, 2004. Net proceeds totaled $39.200 million (after payment of $35 thousand original issue discount and $170 thousand underwriter's discount).

On September 15, 2000, the Department of Transportation issued $113.690 million in Transportation Excise Tax Revenue Bonds (2000 Series) to (1) finance the acquisition of land and the design and construction of certain controlled access highways within Maricopa County, Arizona and (2) pay costs of issuing the 2000 Series Bonds. The 2000 Series Bonds are due July 1, 2001 through 2005. Net proceeds totaled $115.001 million (after receipt of $1.961 million of reoffering premium and payment of $649 thousand in underwriting fees).

2. University of Arizona

On August 9, 2000, the University of Arizona (the University) issued Variable Certificates of Participation (2000A Certificates) for $28.300 million. The proceeds are being used to finance the expansion of McKale Center for $12.500 million, the installation of the 23-mile Mt. Graham MGIO Power Line for $12.000 million and the acquisition of the University Police Department Facility for $3.250 million.

The 2000A Certificates were issued initially bearing interest at a weekly rate determined each week by PaineWebber Incorporated, the remarketing agent. At the option of the Arizona Board of Regents, the certificates are subject to conversion to an adjustable rate, an annual rate, or a term rate on a conversion date, according to the debt documents. If not converted, the certificates will bear interest at a weekly rate not to exceed 12 percent determined under prevailing market conditions by the remarketing agent.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Combining Financial Statements and Schedules

California Condors in Arizona

History was made December 12, 1996 when six endangered California condors were released on the Vermilion Cliffs to fly free in Arizona's skies.

It had been more than 70 years since the giant birds were last seen in this state and it took a ten year effort by the Arizona Game and Fish Department, federal wildlife and land management agencies, and private conservation groups to guide their return.

California condors are the largest land bird in North America with a wingspan of 9½ feet and weighing up to 22 pounds. Condors are members of the vulture family and are opportunistic scavengers, feeding exclusively on dead animals such as deer, cattle, rabbits, and large rodents. Using thermal updrafts, condors can soar and glide at up to 50 miles per hour and travel 100 miles or more per day searching for food while expending little energy. When not foraging for food, condors spend most of their time perched at a roost. Cliffs, tall conifers, and snags serve as roost sites.

Condors become sexually mature at about five or six years of age and mate for life. Most nest sites have been found in caves and rock crevices. Condors do not build nests. Instead, an egg about 5 inches in length and weighing around 10 ounces is deposited on bare ground. Condors lay a single egg normally every other year. The egg hatches after 56 days of incubation and both parents share responsibilities for feeding the nestling. Young condors leave the nest when they are five or six months old.

The best viewing opportunity takes place along Highway 89 from milepost 539 and Marble Canyon Lodge to milepost 570 at the House Rock Valley Overlook. Condors might be sighted perched or soaring along the face of the Vermilion Cliffs to the north of the highway.

SPECIAL REVENUE FUNDS

Special Revenue Funds account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The General Government Fund accounts for general government services provided to other State agencies or to the general public.

The Health and Welfare Fund accounts for health and welfare services provided to the general public.

The Inspection and Regulation Fund accounts for inspection and regulatory services provided to the general public.

The Education Fund accounts for educational services provided to the general public.

The Protection and Safety Fund accounts for law enforcement, military, custody and related services provided to the general public.

The Transportation Fund accounts for transportation services provided to the general public by the Arizona Department of Transportation.

The Natural Resources Fund accounts for services that are provided with regard to the natural resources of the State.

STATE OF ARIZONA
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2000
(Expressed in Thousands)

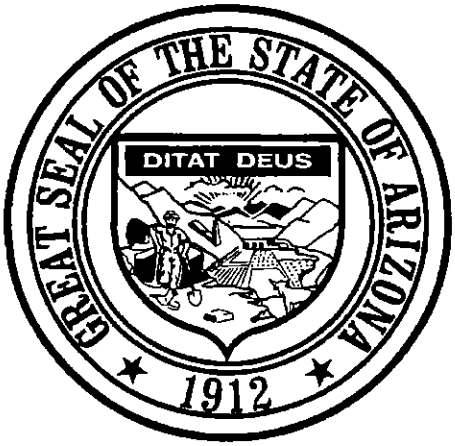
	GENERAL GOVERNMENT	HEALTH & WELFARE	INSPECTION & REGULATION	EDUCATION	PROTECTION & SAFETY
ASSETS					
Cash and investments	$ 96,579	$ 390,111	$ 74,166	$ 1,880	$ 22,182
Receivables, net of allowances:					
Taxes	809	11,420	-	-	-
Interest	388	1,792	99	2	21
Other	7,865	7,973	243	3	79
Due from U.S. Government	-	-	-	-	-
Due from local governments	-	-	46	-	-
Due from other Funds	13,879	11,980	399	-	1,581
Inventories, at cost	-	-	-	-	1,842
Other	-	19	-	-	-
Total Assets	$ 119,520	$ 423,295	$ 74,953	$ 1,885	$ 25,705
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 4,846	$ 43,635	$ 1,269	$ 14	$ 2,371
Accrued liabilities	445	750	831	7	101
Due to U.S. Government	-	1,540	-	-	-
Due to local governments	-	-	-	-	-
Due to other Funds	1,697	3,928	618	-	2
Deferred revenue	-	768	-	-	-
Notes payable	-	-	-	-	-
Current portion of insurance losses	-	393	-	-	-
Other	3	29	279	1	84
Total Liabilities	6,991	51,043	2,997	22	2,558
Fund Balances:					
Reserved	12,274	10,597	3,351	-	143
Unreserved	100,255	361,655	68,605	1,863	23,004
Total Fund Balances	112,529	372,252	71,956	1,863	23,147
Total Liabilities and Fund Balances	$ 119,520	$ 423,295	$ 74,953	$ 1,885	$ 25,705

TRANSPORTATION	NATURAL RESOURCES	TOTAL
$ 554,048	$ 135,441	$ 1,274,407
149,085	-	161,314
4,728	806	7,836
25,518	136	41,817
36,544	-	36,544
21,377	-	21,423
1,842	8,278	37,959
3,961	-	5,803
-	-	19
$ 797,103	$ 144,661	$ 1,587,122
$ 74,922	$ 2,424	$ 129,481
5,724	617	8,475
-	-	1,540
126,613	-	126,613
6,948	935	14,128
-	-	768
101,680	-	101,680
-	-	393
6,253	22	6,671
322,140	3,998	389,749
332,572	2,176	361,113
142,391	138,487	836,260
474,963	140,663	1,197,373
$ 797,103	$ 144,661	$ 1,587,122

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	GENERAL GOVERNMENT	HEALTH & WELFARE	INSPECTION & REGULATION	EDUCATION	PROTECTION & SAFETY
REVENUES					
Taxes:					
Sales	$ -	$ 6,795	$ -	$ -	$ -
Motor vehicle and fuel	-	27,068	-	-	-
Property	-	-	-	-	-
Other	7,230	112,683	16,882	-	13,693
Intergovernmental	10,600	24,976	407	1,508	46
Licenses, fees and permits	5,985	22,627	57,365	212	9,731
Earnings on investments	3,746	7,483	905	104	330
Sales and charges for services	14,435	187	1,619	155	23,826
Fines, forfeitures and penalties	23,857	10,127	1,017	-	28,254
Other	15,949	22,989	736	1,196	3,610
Total Revenues	81,802	234,935	78,931	3,175	79,490
EXPENDITURES					
Current:					
General government	72,123	-	-	-	-
Health and welfare	-	214,794	-	-	-
Inspection and regulation	-	-	69,585	-	-
Education	-	-	-	3,023	-
Protection and safety	-	-	-	-	51,179
Transportation	-	-	-	-	-
Natural resources	-	-	-	-	-
Capital outlay	567	917	2,212	31	1,472
Debt service:					
Principal	3	-	38	2	8
Interest	3	36	1	1	1
Total Expenditures	72,696	215,747	71,836	3,057	52,660
Revenues Over (Under) Expenditures	9,106	19,188	7,095	118	26,830
OTHER FINANCING SOURCES (USES)					
Operating transfers in	19,641	22,316	759	92	2,229
Operating transfers out	(5,077)	(52,771)	(7,729)	(25)	(23,957)
Capital lease and installment purchase contracts	-	-	830	-	-
Total Other Financing Sources (Uses)	14,564	(30,455)	(6,140)	67	(21,728)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	23,670	(11,267)	955	185	5,102
Beginning Fund Balances, as restated	88,643	382,065	71,001	1,678	18,295
Residual Equity Transfers	216	1,454	-	-	(250)
Ending Fund Balances	$ 112,529	$ 372,252	$ 71,956	$ 1,863	$ 23,147

TRANSPORTATION	NATURAL RESOURCES	TOTAL
$ 248,596	$ -	$ 255,391
1,300,273	2,298	1,329,639
-	1,931	1,931
6,709	-	157,197
432,624	13,999	484,160
9,602	32,337	137,859
22,499	7,304	42,371
624	358	41,204
-	155	63,410
11,308	1,137	56,925
2,032,235	59,519	2,570,087
-	-	72,123
-	-	214,794
-	-	69,585
-	-	3,023
-	-	51,179
1,811,437	-	1,811,437
-	62,409	62,409
13,580	7,323	26,102
-	-	51
-	-	42
1,825,017	69,732	2,310,745
207,218	(10,213)	259,342
49,506	21,994	116,537
(267,526)	(3,622)	(360,707)
2,577	-	3,407
(215,443)	18,372	(240,763)
(8,225)	8,159	18,579
483,938	132,448	1,178,068
(750)	56	726
$ 474,963	$ 140,663	$ 1,197,373


GREAT SEAL OF THE STATE OF ARIZONA
DITAT DEUS
1912

DEBT SERVICE FUNDS

The Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

The Department of Transportation Fund administers the payment of principal and interest on the 1991 Series A and 1992 Series B State of Arizona Subordinated Highway Revenue Bond issues, the 1993 Series State of Arizona Highway Revenue Refunding Bond issue, the 1992 Series A, 1993 Series A and 1993 Series B State of Arizona Subordinated Highway Revenue Refunding Bond issues and the Series 1999 State of Arizona Highway Revenue Bond issue.

The Maricopa Regional Area Road Fund administers the payment of principal and interest on the 1988 Series A, 1992 Series A Refunding, 1992 Series B and 1998 Series A Transportation Board of the State of Arizona Transportation Excise Tax Revenue Bond issues, the 1989 Series A Transportation Board of the State of Arizona Subordinated Transportation Excise Tax Revenue Bond issue, the 1993 Series and 1995 Series A Transportation Board of the State of Arizona Subordinated Transportation Excise Tax Revenue Bond issues, the 1995 Series B Transportation Board of the State of Arizona Subordinated Transportation Excise Tax Revenue Refunding Bond issue and the 1999 Series A Transportation Board of the State of Arizona Subordinated Transportation Excise Tax Revenue Bond issue.

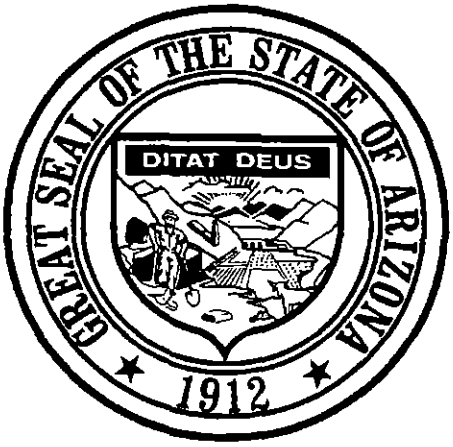
The Certificates of Participation Fund administers the payment of principal and interest on the State of Arizona Certificates of Participation.

STATE OF ARIZONA
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2000
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION	MARICOPA RARF	CERTIFICATES OF PARTICIPATION	TOTAL
ASSETS				
Cash and investments	$ 896	$ 16,165	$ 3,674	$ 20,735
Interest receivable	670	1,614	-	2,284
Total Assets	$ 1,566	$ 17,779	$ 3,674	$ 23,019
FUND BALANCES				
Total Fund Balances, all reserved	$ 1,566	$ 17,779	$ 3,674	$ 23,019

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION	MARICOPA RARF	CERTIFICATES OF PARTICIPATION	TOTAL
REVENUES				
Earnings on investments	$ 2,575	$ 6,017	$ 630	$ 9,222
Other	-	-	39	39
Total Revenues	2,575	6,017	669	9,261
EXPENDITURES				
Current:				
Transportation	356	124	-	480
Principal	46,270	128,805	13,220	188,295
Interest and other fiscal charges	33,994	42,609	12,234	88,837
Total Expenditures	80,620	171,538	25,454	277,612
Revenues (Under) Expenditures	(78,045)	(165,521)	(24,785)	(268,351)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	76,483	150,636	24,209	251,328
Proceeds of refunding bonds	21,469	4,702	-	26,171
Payment to refunded bond escrow agent	(20,475)	(4,640)	-	(25,115)
Total Other Financing Sources	77,477	150,698	24,209	252,384
Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses	(568)	(14,823)	(576)	(15,967)
Beginning Fund Balances, as restated	2,134	32,602	4,250	38,986
Ending Fund Balances, all reserved	$ 1,566	$ 17,779	$ 3,674	$ 23,019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CAPITAL PROJECTS FUNDS

Capital Projects Funds account for financial resources used to acquire or construct major capital facilities (other than those financed by Proprietary, Non-Expendable Trust, Pension Trust, University Funds or Component Units).

The Department of Transportation Financed Fund administers the bond proceeds from the Series 1999 State of Arizona Highway Revenue Bonds issue. These monies are expended for the construction of Federal, State and local highways.

The Maricopa Regional Area Road Financed Fund administers the bond proceeds from the 1998 Series A and the 1999 Series A Transportation Board of the State of Arizona Subordinated Transportation Excise Tax Revenue Bond issue. These monies are spent on the construction of State highways within Maricopa County.

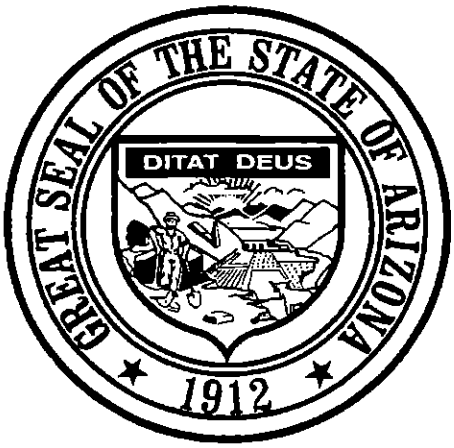
The Other Capital Projects Fund consists of the Corrections Fund, State Parks Enhancement Fund, Clifton Flood Control Project Fund, Veterans Nursing Home General Fund - Veterans Services Administration, Game and Fish Capital Improvement Fund, State Lake Improvement Fund, Emergency Dam Repair Fund, the Non-Emergency Repair Fund and the Arizona State Hospital Capital Construction Fund.

STATE OF ARIZONA
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
JUNE 30, 2000
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION FINANCED	MARICOPA RARF FINANCED	OTHER	TOTAL
ASSETS				
Cash and investments	$ 50,410	$ -	$ 77,816	$ 128,226
Receivables, net of allowances:				
Taxes	-	-	2,180	2,180
Interest	559	-	278	837
Due from other Funds	-	-	477	477
Total Assets	$ 50,969	$ -	$ 80,751	$ 131,720
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 1,134	$ -	$ 699	$ 1,833
Accrued liabilities	-	-	100	100
Due to other Funds	1,842	-	8	1,850
Total Liabilities	2,976	-	807	3,783
Fund Balances:				
Reserved	47,993	-	45,891	93,884
Unreserved	-	-	34,053	34,053
Total Fund Balances	47,993	-	79,944	127,937
Total Liabilities and Fund Balances	$ 50,969	$ -	$ 80,751	$ 131,720

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION FINANCED	MARICOPA RARF FINANCED	OTHER	TOTAL
REVENUES				
Taxes:				
Motor vehicle and fuel	$ -	$ -	$ 6,352	$ 6,352
Property	-	-	174	174
Other	-	-	25,642	25,642
Licenses, fees and permits	-	-	2,540	2,540
Earnings on investments	3,674	2,960	1,919	8,553
Other	-	-	4,493	4,493
Total Revenues	3,674	2,960	41,120	47,754
EXPENDITURES				
Capital outlay	45,920	123,004	31,093	200,017
Revenues Over (Under) Expenditures	(42,246)	(120,044)	10,027	(152,263)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	21,050	21,050
Operating transfers out	(41,153)	(7,353)	(6,582)	(55,088)
Proceeds from sale of bonds	131,392	119,107	-	250,499
Total Other Financing Sources	90,239	111,754	14,468	216,461
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	47,993	(8,290)	24,495	64,198
Beginning Fund Balances	-	8,290	55,449	63,739
Ending Fund Balances	$ 47,993	$ -	$ 79,944	$ 127,937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DITAT DEUS
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ENTERPRISE FUNDS

Enterprise Funds account for operations (a) financed and operated in a manner similar to private business enterprises, where the State intends that the cost of providing goods or services to the general public be financed or recovered primarily through service charges, or (b) where the State decides that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Industrial Commission administers and enforces the employment laws of the State, including the regulation of workers' compensation.

The Lottery Fund accounts for lottery ticket revenues, administrative and operating expenses and distribution of revenues to other Funds.

The Arizona Exposition and State Fair provides rental space to a variety of entertainment and promotional lessees, and sponsors the annual State Fair.

The Arizona Highways Magazine Fund publishes and markets the Arizona Highways Magazine and various other products that promote the State of Arizona.

The Arizona Correctional Industries Fund employs prison inmates in its manufacturing, service and agricultural operations for the sale of goods and services primarily to other State agencies (including the Arizona Department of Corrections) and political subdivisions.

The Arizona Industries for the Blind Fund accounts for the manufacturing, sale, distribution and marketing of products manufactured by employees at training centers, workshops, business enterprises and home industries programs for the training and employment of adaptable visually impaired persons.

The Healthcare Group of Arizona administers prepaid medical coverage pimarily to small uninsured businesses with 2 to 50 employees and employees of political subdivisions. The HCGA processes premium billing, collections and fund disbursement, data analysis and is responsible for the regulatory oversight of the health plans.

The Arizona Beef Council is a not-for-profit organization that was created to establish a self-financed program to help develop and maintain state, national and foreign markets for beef and beef products.

ComCare, Inc. is a nonprofit corporation responsible for the administration, coordination and delivery of comprehensive behavioral health services to residents of Maricopa County through a network of more than 130 provider agencies/individuals.

The Other Enterprise Fund consists of the Arizona Historical Society Revolving Fund, Mines and Mineral Resources Printing Revolving Fund, Game and Fish Publications Revolving Fund, Department of Library, Archives and Public Records Gift Shop Revolving Fund, Southern Arizona Mental Health Center Enterprise Fund, Land Department Resource Analysis Revolving Fund, State Parks Publications and Souvenirs Revolving Fund, Real Estate Printing Revolving Fund, Education Commodity Fund, Indian Affairs Commission Publications Revolving Fund, School for Deaf and Blind Facilities Use Fund, the State Home for Veterans and the Cooperative State Purchasing Agreement Fund.

STATE OF ARIZONA
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
JUNE 30, 2000
(Expressed in Thousands)

	INDUSTRIAL COMMISSION	LOTTERY	ARIZONA EXPOSITION & STATE FAIR	ARIZONA HIGHWAYS MAGAZINE	ARIZONA CORRECTIONAL INDUSTRIES
ASSETS					
Current Assets:					
Cash and investments	$ 382	$ 27,919	$ 8,021	$ 3,309	$ 7,617
Collateral investment pool	49,119	-	-	-	-
Receivables, net of allowances:					
Interest	2,317	-	149	28	65
Other	2	2,358	116	412	2,578
Due from U.S. Government	-	-	-	-	-
Due from other Funds	-	-	-	-	-
Inventories, at cost	-	1,244	-	2,786	2,548
Other	-	-	12	669	18
Total Current Assets	51,820	31,521	8,298	7,204	12,826
Long-term Assets:					
Investments	223,601	-	-	-	-
Other	-	6,149	-	-	-
Fixed assets:					
Property and equipment	19,671	8,699	22,808	3,421	8,799
Less: accumulated depreciation	(5,249)	(4,693)	(17,181)	(1,356)	(5,385)
Total Long-term Assets	238,023	10,155	5,627	2,065	3,414
Total Assets	$ 289,843	$ 41,676	$ 13,925	$ 9,269	$ 16,240
LIABILITIES AND FUND EQUITY					
Current Liabilities:					
Accounts payable	$ 745	$ 2,985	$ 125	$ 164	$ 1,533
Accrued liabilities	-	-	49	181	61
Obligations under securities loan agreements	49,119	-	-	-	-
Due to local governments	-	2,835	-	-	-
Due to others	-	-	-	-	-
Due to other Funds	-	9,267	-	-	1,000
Deferred revenue	-	-	-	4,484	-
Current portion of insurance losses	12,116	-	-	-	-
Current portion of long-term debt	1,100	-	-	-	-
Other	-	18,355	110	-	62
Total Current Liabilities	63,080	33,442	284	4,829	2,656
Long-term Liabilities:					
Accrued compensated absences	-	338	154	-	182
Accrued insurance losses	145,543	-	-	-	-
Long-term debt:					
Certificates of participation	8,700	-	-	-	-
Other	-	-	-	-	-
Total Long-term Liabilities	154,243	338	154	-	182
Total Liabilities	217,323	33,780	438	4,829	2,838
Fund Equity:					
Contributed capital	-	-	-	1,539	3,180
Retained earnings					
Reserved	74	59	6,644	-	-
Unreserved	72,446	7,837	6,843	2,901	10,222
Total Fund Equity	72,520	7,896	13,487	4,440	13,402
Total Liabilities and Fund Equity	$ 289,843	$ 41,676	$ 13,925	$ 9,269	$ 16,240

ARIZONA INDUSTRIES FOR THE BLIND	HEALTHCARE GROUP OF ARIZONA	ARIZONA BEEF COUNCIL	COMCARE	OTHER	TOTAL
$ 383	$ 5,645	$ 142	$ 10,560	$ 640	$ 64,618
-	-	-	-	-	49,119
-	22	-	-	4	2,585
2,100	1	58	688	488	8,801
124	-	-	-	-	124
-	2,393	-	-	466	2,859
3,095	-	-	-	300	9,973
-	-	15	-	-	714
5,702	8,061	215	11,248	1,898	138,793
-	-	-	748	-	224,349
-	-	-	-	-	6,149
6,346	76	29	2	14,457	84,308
(3,659)	(47)	(20)	-	(2,189)	(39,779)
2,687	29	9	750	12,268	275,027
$ 8,389	$ 8,090	$ 224	$ 11,998	$ 14,166	$ 413,820
$ 2,395	$ -	$ 38	$ 4,482	$ 136	$ 12,603
-	23	-	-	352	666
-	-	-	-	-	49,119
-	-	-	-	-	2,835
-	-	-	-	51	51
-	-	-	-	1	10,268
-	2,705	-	-	-	7,189
-	2,393	-	-	-	14,509
-	-	-	-	-	1,100
74	-	-	-	-	18,601
2,469	5,121	38	4,482	540	116,941
151	-	-	-	-	825
-	-	-	-	-	145,543
-	-	-	-	-	8,700
9	-	-	-	-	9
160	-	-	-	-	155,077
2,629	5,121	38	4,482	540	272,018
927	-	-	-	-	5,646
-	-	-	-	593	7,370
4,833	2,969	186	7,516	13,033	128,786
5,760	2,969	186	7,516	13,626	141,802
$ 8,389	$ 8,090	$ 224	$ 11,998	$ 14,166	$ 413,820

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

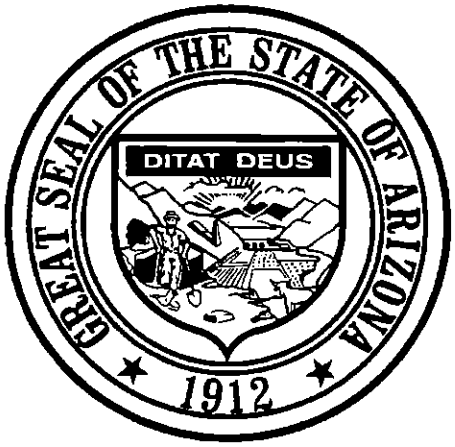
	INDUSTRIAL COMMISSION	LOTTERY	ARIZONA EXPOSITION & STATE FAIR	ARIZONA HIGHWAYS MAGAZINE	ARIZONA CORRECTIONAL INDUSTRIES
OPERATING REVENUES					
Sales and charges for services:					
Lottery	$ -	$ 255,553	$ -	$ -	$ -
Other	-	-	9,997	10,713	18,619
Motor vehicle and fuel taxes	-	-	-	-	-
Licenses, fees and permits	-	10	-	-	-
Earnings on investments	11,138	-	-	-	-
Other	5,028	1,258	1,285	476	-
Total Operating Revenues	16,166	256,821	11,282	11,189	18,619
OPERATING EXPENSES					
Cost of sales and benefits	14,681	164,379	1,319	5,645	15,493
Personal services	-	4,235	4,324	2,408	811
Contractual services	1,116	699	3,669	542	27
Aid to local governments	-	33,485	-	-	-
Depreciation and amortization	505	314	1,067	367	721
Insurance	-	32	264	-	-
Other	4,001	8,481	1,227	2,656	227
Total Operating Expenses	20,303	211,625	11,870	11,618	17,279
Operating Income (Loss)	(4,137)	45,196	(588)	(429)	1,340
NON-OPERATING REVENUES (EXPENSES)					
(Loss) on sale of fixed assets	-	-	-	(69)	-
Interest income	167	-	347	172	344
Interest expense	(581)	-	-	-	-
Other	(102)	-	400	-	-
Net Non-operating Income (Loss)	(516)	-	747	103	344
Income (Loss) Before Operating Transfers	(4,653)	45,196	159	(326)	1,684
OPERATING TRANSFERS					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	(42,515)	(133)	(180)	(270)
Net Operating Transfers	-	(42,515)	(133)	(180)	(270)
Net Income (Loss)	(4,653)	2,681	26	(506)	1,414
Beginning Retained Earnings, as restated	77,173	7,609	13,461	3,407	9,808
Residual Equity Transfers	-	(2,394)	-	-	(1,000)
Ending Retained Earnings	$ 72,520	$ 7,896	$ 13,487	$ 2,901	$ 10,222

ARIZONA INDUSTRIES FOR THE BLIND	HEALTHCARE GROUP OF ARIZONA	ARIZONA BEEF COUNCIL	COMCARE	OTHER	TOTAL
$ -	$ -	$ -	$ -	$ -	$ 255,553
14,004	19,536	1	3,948	10,415	87,233
-	-	-	-	121	121
-	-	652	-	184	846
-	-	-	-	32	11,170
365	-	1	-	425	8,838
14,369	19,536	654	3,948	11,177	363,761
11,071	25,823	-	2,557	232	241,200
1,029	489	132	300	6,314	20,042
187	119	5	583	1,864	8,811
-	-	-	-	5	33,490
715	10	4	-	470	4,173
390	-	-	-	284	970
1,689	205	505	71	1,812	20,874
15,081	26,646	646	3,511	10,981	329,560
(712)	(7,110)	8	437	196	34,201
-	-	(1)	(73)	-	(143)
-	180	5	-	2	1,217
(11)	-	-	-	-	(592)
1,335	-	-	873	(1,777)	729
1,324	180	4	800	(1,775)	1,211
612	(6,930)	12	1,237	(1,579)	35,412
-	7,031	-	-	-	7,031
(410)	(66)	-	-	(524)	(44,098)
(410)	6,965	-	-	(524)	(37,067)
202	35	12	1,237	(2,103)	(1,655)
4,631	2,934	174	16,279	15,729	151,205
-	-	-	(10,000)	-	(13,394)
$ 4,833	$ 2,969	$ 186	$ 7,516	$ 13,626	$ 136,156

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	INDUSTRIAL COMMISSION	LOTTERY	ARIZONA EXPOSITION & STATE FAIR	ARIZONA HIGHWAYS MAGAZINE
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	$ (4,137)	$ 45,196	$ (588)	$ (429)
Adjustments to reconcile to net cash provided by operating activities:				
Depreciation and amortization	505	314	1,067	367
Net decrease in fair value of investments	8,887	-	-	-
Total Adjustments	9,392	314	1,067	367
Changes in assets and liabilities:				
(Increase) decrease in receivables, net of allowances	43	9,039	(27)	175
(Increase) in due from U.S. Government	-	-	-	-
(Increase) decrease in due from other Funds	-	-	-	-
(Increase) decrease in inventories, at cost	-	(57)	-	29
(Increase) decrease in other current assets	-	-	-	(63)
(Increase) in other long-term assets	-	(302)	-	-
Increase (decrease) in accounts payable	19	994	(24)	(82)
Increase (decrease) in accrued liabilities	-	-	(78)	(56)
(Decrease) in due to local governments	-	(4,745)	-	-
Increase in due to others	-	-	-	-
Increase (decrease) in due to other Funds	-	(1,571)	-	(2)
Increase in deferred revenue	-	-	-	226
Increase (decrease) in other current liabilities	655	(1,580)	71	-
Increase in accrued compensated absences	-	15	4	-
Increase in accrued insurance losses	3,021	-	-	-
(Decrease) in other long-term liabilities	-	-	-	-
Net Changes in Assets and Liabilities	3,738	1,793	(54)	227
Net Cash Provided (Used) by Operating Activities	8,993	47,303	425	165
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Interest expense	-	-	-	-
Other non-operating revenue (expense)	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	(42,515)	(133)	(180)
Residual equity transfers	-	(2,394)	-	-
Net Cash Provided (Used) by Non-capital Financing Activities	-	(44,909)	(133)	(180)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of fixed assets	(608)	(152)	(55)	(81)
Proceeds from sale of fixed assets	-	-	-	-
Interest payments under certificates of participation or bonds	(581)	-	-	-
Principal payments under leases and installment purchases	(1,000)	-	-	-
Proceeds in funds received by trustee	167	-	-	-
Pari-mutuel racing receipts	-	-	400	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,022)	(152)	345	(81)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	105,901	-	-	-
Purchase of investments	(113,039)	-	-	-
Interest and dividends on investments	-	-	338	183
Change in cash collateral received from securities lending transactions	10,666	-	-	-
Net Cash Provided (Used) by Investing Activities	3,528	-	338	183
Net Increase (Decrease) in Cash and Cash Equivalents	10,499	2,242	975	87
Cash and Cash Equivalents - Beginning, as restated	39,002	25,677	7,046	3,222
Cash and Cash Equivalents - Ending	$ 49,501	$ 27,919	$ 8,021	$ 3,309

ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA INDUSTRIES FOR THE BLIND	HEALTHCARE GROUP OF ARIZONA	ARIZONA BEEF COUNCIL	COMCARE	OTHER	TOTAL
$ 1,340	$ (712)	$ (7,110)	$ 8	$ 437	$ 196	$ 34,201
721	715	10	4	-	470	4,173
-	-	-	-	-	-	8,887
721	715	10	4	-	470	13,060
614	(547)	4	(2)	4,756	(482)	13,573
-	(124)	-	-	-	-	(124)
55	-	(2,393)	-	-	(461)	(2,799)
769	(573)	-	-	-	(144)	24
6	-	-	(15)	1,763	-	1,691
-	-	-	-	-	-	(302)
646	972	-	7	(2,868)	(186)	(522)
55	(108)	3	-	-	187	3
-	-	-	-	-	-	(4,745)
-	-	-	-	-	51	51
1,000	-	-	-	-	(5)	(578)
-	-	157	-	-	-	383
(123)	(38)	-	-	-	-	(1,015)
6	24	-	-	-	-	49
-	-	2,393	-	-	-	5,414
-	(66)	-	-	-	-	(66)
3,028	(460)	164	(10)	3,651	(1,040)	11,037
5,089	(457)	(6,936)	2	4,088	(374)	58,298
-	(11)	-	-	-	-	(11)
-	1,335	-	-	873	(1,777)	431
-	-	7,031	-	-	-	7,031
(270)	(410)	(66)	-	-	(524)	(44,098)
(1,000)	-	-	-	(10,000)	-	(13,394)
(1,270)	914	6,965	-	(9,127)	(2,301)	(50,041)
(645)	(571)	-	(4)	-	(11)	(2,127)
-	-	-	-	25	-	25
-	-	-	-	-	-	(581)
-	-	-	-	-	-	(1,000)
-	-	-	-	-	-	167
-	-	-	-	-	-	400
(645)	(571)	-	(4)	25	(11)	(3,116)
-	-	-	-	-	-	105,901
-	-	-	-	(748)	-	(113,787)
309	-	177	5	-	-	1,012
-	-	-	-	-	-	10,666
309	-	177	5	(748)	-	3,792
3,483	(114)	206	3	(5,762)	(2,686)	8,933
4,134	497	5,439	139	16,322	3,326	104,804
$ 7,617	$ 383	$ 5,645	$ 142	$ 10,560	$ 640	$ 113,737


GREAT SEAL OF THE STATE OF ARIZONA
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INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods and services provided by one State department or agency to other State departments or agencies on a cost-reimbursement basis.

The Risk Management Fund provides insurance coverage to all State agencies using an optimal combination of self-insurance and private excess insurance. It includes the Workers' Compensation section that receives monies from State agencies and uses these monies to pay for insurance and risk management services including loss control services and self-insured liability losses.

The Transportation Equipment Fund administers the purchase, storage and distribution of supplies, equipment and furniture for other Department of Transportation Funds.

The Technologies and Telecommunications Fund receives monies from State agencies for services related to the operation of the data processing and telecommunications programs.

Motor Pool receives monies from State agencies for use of State vehicles and uses these monies for operation of the State Motor Pool.

The Other Internal Service Fund consists of the Department of Administration's Special Services Revolving Fund, State Surplus Property Fund, Federal Surplus Property Fund, Personnel Division Fund, AFIS II Collections Fund; Government Information Technology Agency's Personnel Division Fund, Information Technology Fund and Technology and Telecommunications Fund; Department of Education's Internal Services Fund and Printing Fund; Department of Health Services' Internal Services Fund; Land Department Interagency Agreement Fund, the Department of Water Resources Intergovernmental Agreement Fund and the Library, Archives and Public Records Records Services Fund.

STATE OF ARIZONA
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
JUNE 30, 2000
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	TECHNOLOGIES & TELE-COMMUNICATIONS	MOTOR POOL
ASSETS				
Current Assets:				
Cash and investments	$ 51,761	$ 5,093	$ 7,947	$ 2,974
Receivables, net of allowances:				
Interest	-	35	-	-
Other	54	257	2,095	1,087
Due from other Funds	-	68	1,324	1,121
Inventories, at cost	-	2,334	33	10
Other	872	-	-	-
Total Current Assets	52,687	7,787	11,399	5,192
Long-term Assets:				
Fixed assets:				
Property and equipment	226	110,847	31,714	40,316
Less: accumulated depreciation	(85)	(65,161)	(24,271)	(18,645)
Total Long-term Assets	141	45,686	7,443	21,671
Total Assets	$ 52,828	$ 53,473	$ 18,842	$ 26,863
LIABILITIES AND FUND EQUITY				
Current Liabilities:				
Accounts payable	$ 2,440	$ -	$ 2,452	$ 1,072
Accrued liabilities	-	727	-	-
Due to others	-	-	-	-
Due to other Funds	44	-	12	5
Current portion of leases and installment purchases	-	2,047	-	-
Other	1	-	-	-
Total Current Liabilities	2,485	2,774	2,464	1,077
Long-term Liabilities:				
Accrued compensated absences	207	-	608	18
Accrued insurance losses	213,076	-	-	-
Leases and installment purchases	-	7,483	-	-
Total Long-term Liabilities	213,283	7,483	608	18
Total Liabilities	215,768	10,257	3,072	1,095
Fund Equity:				
Contributed capital	-	5,793	687	17,957
Retained earnings				
Reserved	-	9,985	-	97
Unreserved	(162,940)	27,438	15,083	7,714
Total Fund Equity	(162,940)	43,216	15,770	25,768
Total Liabilities and Fund Equity	$ 52,828	$ 53,473	$ 18,842	$ 26,863

OTHER	TOTAL
$ 8,565	$ 76,340
8	43
283	3,776
231	2,744
521	2,898
-	872
9,608	86,673
4,192	187,295
(2,914)	(111,076)
1,278	76,219
$ 10,886	$ 162,892
$ 787	$ 6,751
28	755
205	205
677	738
-	2,047
7	8
1,704	10,504
112	945
-	213,076
-	7,483
112	221,504
1,816	232,008
-	24,437
841	10,923
8,229	(104,476)
9,070	(69,116)
$ 10,886	$ 162,892

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN RETAINED EARNINGS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

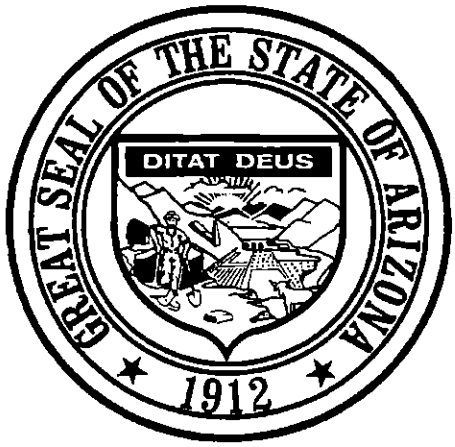
	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	TECHNOLOGIES & TELE-COMMUNICATIONS	MOTOR POOL
OPERATING REVENUES				
Sales and charges for services	$ 65,166	$ 26,609	$ 25,112	$ 9,193
Other	3	3,625	3	3
Total Operating Revenues	65,169	30,234	25,115	9,196
OPERATING EXPENSES				
Cost of sales and benefits	-	10,953	8,372	2,940
Personal services	3,090	8,145	8,765	353
Contractual services	22,555	505	749	510
Aid to local governments	-	-	-	-
Depreciation and amortization	29	8,099	2,142	4,552
Insurance	35,221	605	219	688
Other	536	1,551	3,146	847
Total Operating Expenses	61,431	29,858	23,393	9,890
Operating Income (Loss)	3,738	376	1,722	(694)
NON-OPERATING REVENUES				
Gain on sale of fixed assets	-	-	-	270
Interest income	-	223	-	-
Other	459	-	6	187
Total Non-operating Income	459	223	6	457
Income (Loss) Before Operating Transfers	4,197	599	1,728	(237)
OPERATING TRANSFERS				
Operating transfers in	376	-	-	-
Operating transfers out	(724)	(789)	(739)	(32)
Net Operating Transfers	(348)	(789)	(739)	(32)
Net Income (Loss)	3,849	(190)	989	(269)
Beginning Retained Earnings (Deficits), as restated	(166,789)	37,613	14,094	8,080
Ending Retained Earnings (Deficits)	$ (162,940)	$ 37,423	$ 15,083	$ 7,811

OTHER	TOTAL
$ 19,593	$ 145,673
1,531	5,165
21,124	150,838
4,555	26,820
8,880	29,233
3,061	27,380
1,155	1,155
428	15,250
179	36,912
1,382	7,462
19,640	144,212
1,484	6,626
-	270
4	227
28	680
32	1,177
1,516	7,803
2,124	2,500
(1,935)	(4,219)
189	(1,719)
1,705	6,084
7,365	(99,637)
$ 9,070	$ (93,553)

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	TECHNOLOGIES & TELE-COMMUNICATIONS
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	$ 3,738	$ 376	$ 1,722
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization	29	8,099	2,142
Changes in assets and liabilities:			
(Increase) in receivables, net of allowances	(12)	(169)	(642)
Decrease in due from local governments	-	20	-
(Increase) decrease in due from other Funds	2	1,707	602
(Increase) decrease in inventories, at cost	-	227	(33)
Decrease in other current assets	1,054	-	-
Increase (decrease) in accounts payable	(9)	(557)	(100)
(Decrease) in accrued liabilities	(131)	(182)	-
Increase in due to others	-	-	-
Increase (decrease) in due to other Funds	10	-	7
(Decrease) in other current liabilities	-	-	-
Increase in accrued compensated absences	8	-	4
(Decrease) in accrued insurance losses	(6,672)	-	-
Net Changes in Assets and Liabilities	(5,750)	1,046	(162)
Net Cash Provided (Used) by Operating Activities	(1,983)	9,521	3,702
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Other non-operating revenues	459	-	6
Operating transfers in	376	-	-
Operating transfers out	(724)	(789)	(739)
Residual equity transfers	-	-	-
Net Cash Provided (Used) by Non-capital Financing Activities	111	(789)	(733)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of fixed assets	(99)	(9,970)	(1,568)
Proceeds from sale of fixed assets	-	1,036	-
Contributions from other Funds	-	-	-
Net Cash (Used) by Capital and Related Financing Activities	(99)	(8,934)	(1,568)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	-	229	-
Net Cash Provided by Investing Activities	-	229	-
Net Increase (Decrease) in Cash and Cash Equivalents	(1,971)	27	1,401
Cash and Cash Equivalents - Beginning, as restated	53,732	5,066	6,546
Cash and Cash Equivalents - Ending	$ 51,761	$ 5,093	$ 7,947

MOTOR POOL	OTHER	TOTAL
$ (694)	$ 1,484	$ 6,626
4,552	428	15,250
(750)	(61)	(1,634)
-	-	20
(164)	464	2,611
4	22	220
-	-	1,054
649	(443)	(460)
-	(344)	(657)
-	81	81
4	(385)	(364)
-	(11)	(11)
2	39	53
-	-	(6,672)
(255)	(638)	(5,759)
3,603	1,274	16,117
187	28	680
-	2,124	2,500
(32)	(1,935)	(4,219)
-	-	-
155	217	(1,039)
(7,836)	(402)	(19,875)
-	-	1,036
1,571	-	1,571
(6,265)	(402)	(17,268)
-	-	229
-	-	229
(2,507)	1,089	(1,961)
5,481	7,476	78,301
$ 2,974	$ 8,565	$ 76,340


GREAT SEAL OF THE STATE OF ARIZONA
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Trust and Agency Funds

Game and Fish Initiate Black-footed Ferret Release

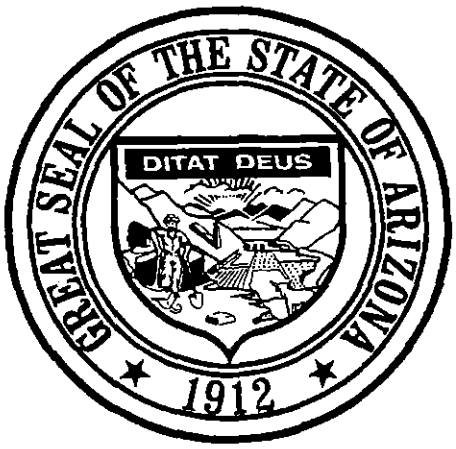
On September 5, 1996 the Arizona Game and Fish Department initiated the release of five black-footed ferrets into the prairie dog colonies of Aubrey Valley near Seligman. The five ferrets were initially release by inserting tubing into their acclimation pens, which allow them access outside of their pens.

The black-footed ferret is a small weasel-like animal that is dependent on prairie dogs for food. The national decline of the black-footed ferrets resulted from conversion of grassland habitat to farmland, large scale poisoning efforts of prairie dogs that compete for forage with domestic livestock, and reduction of prairie dog populations by sylvatic plague, and introduced disease to which this species has little immunity.

Prior to the acclimation phase of Arizona's reintroduction program, the last recorded sighting of a black-footed ferret was in 1931. Arizona's reintroduction is a cooperative effort with the Arizona Game and Fish Department, the Navajo and Hualapai nations, U.S. Fish and Wildlife Service, The Phoenix Zoo, and the Arizona State Land Department.

STATE OF ARIZONA
COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS
JUNE 30, 2000
(Expressed in Thousands)

	EXPENDABLE TRUSTS	NON-EXPENDABLE TRUSTS	PENSION TRUSTS	INVESTMENT TRUSTS	AGENCY	TOTAL
ASSETS						
Cash and investments	$ 1,107,871	$ 1,042,216	$ 33,586,115	$ 2,823,446	$ 3,136,897	$ 41,696,545
Receivables, net of allowances:						
Taxes	39,825	-	-	-	-	39,825
Interest	358	12,273	95,507	17,813	468	126,419
Other	9,690	20,786	192,377	-	482	223,335
Due from U.S. Government	-	-	-	-	3,073	3,073
Due from local governments	-	-	-	-	40	40
Due from others	1	-	-	-	-	1
Due from other Funds	625	3,123	-	18,840	-	22,588
Inventories, at cost	75	-	-	-	-	75
Other	1,451	-	-	-	-	1,451
Fixed assets:						
Property and equipment	-	12,673	693	-	-	13,366
Less: accumulated depreciation	-	(1,249)	(213)	-	-	(1,462)
Total Assets	$ 1,159,896	$ 1,089,822	$ 33,874,479	$ 2,860,099	$ 3,140,960	$ 42,125,256
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 23,117	$ 103	$ 67,944	$ -	$ 4,636	$ 95,800
Accrued liabilities	6,593	70	-	-	20,973	27,636
Obligations under securities loan agreements	-	-	2,860,158	-	-	2,860,158
Due to local governments	-	-	-	15,411	24,528	39,939
Due to others	35	-	-	-	65,762	65,797
Due to other Funds	1,973	559	-	-	32,294	34,826
Deferred revenue	15,065	19,097	-	-	-	34,162
Other	1,955	1,485	432,211	-	2,992,767	3,428,418
Total Liabilities	48,738	21,314	3,360,313	15,411	3,140,960	6,586,736
Reserved Fund Balances	1,111,158	1,068,508	30,514,166	2,844,688	-	35,538,520
Total Liabilities and Fund Balances	$ 1,159,896	$ 1,089,822	$ 33,874,479	$ 2,860,099	$ 3,140,960	$ 42,125,256


GREAT SEAL OF THE STATE OF ARIZONA
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EXPENDABLE TRUST FUNDS

Expendable Trust Funds account for assets held by the State in a trustee capacity, where the principal may be expended in the course of the funds' designated operations.

The Unemployment Compensation Fund pays claims for unemployment to eligible recipients through employer contributions and reimbursements.

The Employee Benefits Fund accounts for resources and transactions pertaining to the State's medical plan and life insurance program.

The Energy Conservation Fund accounts for monies received from the Federal Government according to a United States District Court order requiring oil companies to pay restitution to states for oil overcharges. Expenditures for energy projects are made in accordance with guidelines established by the United States Department of Energy.

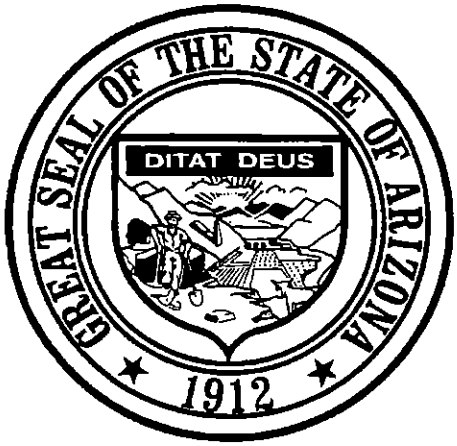
The Other Expendable Trust Fund consists of various funds where the State holds assets in a trustee capacity and the principal may be expended in the course of the funds' designated operations.

STATE OF ARIZONA
COMBINING BALANCE SHEET
EXPENDABLE TRUST FUNDS
JUNE 30, 2000
(Expressed in Thousands)

	UNEMPLOYMENT COMPENSATION	EMPLOYEE BENEFITS	ENERGY CONSERVATION	OTHER	TOTAL
ASSETS					
Cash and investments	$ 993,068	$ 35,509	$ 13,515	$ 65,779	$ 1,107,871
Receivables, net of allowances:					
Taxes	39,825	-	-	-	39,825
Interest	-	-	85	273	358
Other	4,106	4,794	464	326	9,690
Due from others	-	-	1	-	1
Due from other Funds	-	368	-	257	625
Inventories, at cost	-	-	-	75	75
Other	-	-	-	1,451	1,451
Total Assets	$ 1,036,999	$ 40,671	$ 14,065	$ 68,161	$ 1,159,896
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ -	$ 21,232	$ 7	$ 1,878	$ 23,117
Accrued liabilities	6,496	30	9	58	6,593
Due to others	-	-	-	35	35
Due to other Funds	338	1,354	2	279	1,973
Deferred revenue	15,061	-	4	-	15,065
Other	1,509	-	-	446	1,955
Total Liabilities	23,404	22,616	22	2,696	48,738
Fund Balances, all reserved	1,013,595	18,055	14,043	65,465	1,111,158
Total Liabilities and Fund Balances	$ 1,036,999	$ 40,671	$ 14,065	$ 68,161	$ 1,159,896

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	UNEMPLOYMENT COMPENSATION	EMPLOYEE BENEFITS	ENERGY CONSERVATION	OTHER	TOTAL
REVENUES					
Taxes:					
Income	$ -	$ -	$ -	$ 28	$ 28
Unemployment	177,607	-	-	-	177,607
Intergovernmental	10,647	-	203	545	11,395
Licenses, fees and permits	-	-	-	6,025	6,025
Earnings on investments	61,626	-	783	2,686	65,095
Sales and charges for services	-	-	-	424	424
Fines, forfeitures and penalties	1,698	-	-	4,118	5,816
Other	41	63,803	5	8,499	72,348
Total Revenues	251,619	63,803	991	22,325	338,738
EXPENDITURES					
Current:					
General government	-	251,064	800	10,572	262,436
Health and welfare	180,497	-	-	10,639	191,136
Inspection and regulation	-	-	-	4,084	4,084
Education	-	-	-	2,159	2,159
Protection and safety	-	-	-	1,191	1,191
Natural resources	-	-	-	1,144	1,144
Capital outlay	-	-	16	1,024	1,040
Debt service:					
Principal	-	-	1	62	63
Total Expenditures	180,497	251,064	817	30,875	463,253
Revenues Over (Under) Expenditures	71,122	(187,261)	174	(8,550)	(124,515)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	191,052	-	9,457	200,509
Operating transfers in from component units	-	19	-	-	19
Operating transfers out	(1,914)	(3)	(106)	(967)	(2,990)
Total Other Financing Sources (Uses)	(1,914)	191,068	(106)	8,490	197,538
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	69,208	3,807	68	(60)	73,023
Beginning Fund Balances	944,387	14,248	13,975	55,797	1,028,407
Residual Equity Transfers	-	-	-	9,728	9,728
Ending Fund Balances	$ 1,013,595	$ 18,055	$ 14,043	$ 65,465	$ 1,111,158


GREAT SEAL OF THE STATE OF ARIZONA
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NON-EXPENDABLE TRUST FUNDS

Non-Expendable Trust Funds account for assets held by the State in a trustee capacity, where the State must preserve the principal intact, and may expend only income derived from the principal for the funds' designated operations.

The Land Endowments Fund receives monies from land and property rentals and interest on land grants and investments.

The Other Non-Expendable Trust Fund consists of the Les Arie Memorial Fund, Arizona Arts Endowment Trust Fund, Riparian Acquisition Trust Fund and Water Resources Flood Control Loan Fund.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-EXPENDABLE TRUST FUNDS
JUNE 30, 2000
(Expressed in Thousands)

	LAND ENDOWMENTS	OTHER	TOTAL
ASSETS			
Current Assets:			
Cash and investments	$ 64,470	$ 4,565	$ 69,035
Receivables, net of allowances:			
Interest	12,245	28	12,273
Other	3,193	-	3,193
Due from other Funds	1,123	2,000	3,123
Total Current Assets	81,031	6,593	87,624
Long-term Assets:			
Investments	973,181	-	973,181
Receivables, net of allowances	17,593	-	17,593
Fixed assets:			
Property and equipment	12,673	-	12,673
Less: accumulated depreciation	(1,249)	-	(1,249)
Total Long-term Assets	1,002,198	-	1,002,198
Total Assets	$ 1,083,229	$ 6,593	$ 1,089,822
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	$ 103	$ -	$ 103
Accrued liabilities	70	-	70
Due to other Funds	559	-	559
Deferred revenue	19,097	-	19,097
Other	1,485	-	1,485
Total Liabilities	21,314	-	21,314
Reserved Fund Balances	1,061,915	6,593	1,068,508
Total Liabilities and Fund Equity	$ 1,083,229	$ 6,593	$ 1,089,822

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND BALANCES
NON-EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	LAND ENDOWMENTS	OTHER	TOTAL
OPERATING REVENUES			
Sales and charges for services	$ 18,174	$ -	$ 18,174
Intergovernmental	134	-	134
Earnings on investments	42,966	249	43,215
Gain on sale of land	66,492	-	66,492
Other	4,120	-	4,120
Total Operating Revenues	131,886	249	132,135
OPERATING EXPENSES			
Personal services	1,703	-	1,703
Contractual services	1,961	-	1,961
Aid to local governments	66,722	48	66,770
Depreciation and amortization	278	-	278
Insurance	100	-	100
Other	1,127	6	1,133
Total Operating Expenses	71,891	54	71,945
Operating Income	59,995	195	60,190
NON-OPERATING REVENUES			
Interest income	-	14	14
Net Non-operating Income	-	14	14
Income Before Operating Transfers	59,995	209	60,204
OPERATING TRANSFERS			
Operating transfers in	-	2,000	2,000
Operating transfers out	(380)	-	(380)
Net Operating Transfers	(380)	2,000	1,620
Net Income	59,615	2,209	61,824
Beginning Fund Balances	1,002,300	4,384	1,006,684
Ending Fund Balances	$ 1,061,915	$ 6,593	$ 1,068,508

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
NON-EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	LAND ENDOWMENTS	OTHER	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	$ 59,995	$ 195	$ 60,190
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization	278	-	278
Net decrease in fair value of investments	14,050	-	14,050
Total Adjustments	14,328	-	14,328
Changes in assets and liabilities:			
(Increase) decrease in receivables, net of allowances	8,588	(19)	8,569
(Increase) in due from other Funds	(600)	-	(600)
(Decrease) in accounts payable	(2,055)	-	(2,055)
Increase in accrued liabilities	67	-	67
Increase in due to other Funds	357	-	357
Increase in deferred revenue	2,163	-	2,163
Increase in other current liabilities	135	-	135
Net Changes in Assets and Liabilities	8,655	(19)	8,636
Net Cash Provided by Operating Activities	82,978	176	83,154
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Interest income	-	14	14
Operating transfers in	-	2,000	2,000
Operating transfers out	(380)	-	(380)
Net Cash Provided (Used) by Non-capital Financing Activities	(380)	2,014	1,634
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of fixed assets	(724)	-	(724)
Net Cash (Used) by Capital and Related Financing Activities	(724)	-	(724)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	146,354	-	146,354
Purchase of investments	(247,398)	-	(247,398)
Net Cash (Used) by Investing Activities	(101,044)	-	(101,044)
Net Increase (Decrease) in Cash and Cash Equivalents	(19,170)	2,190	(16,980)
Cash and Cash Equivalents - Beginning	83,640	2,375	86,015
Cash and Cash Equivalents - Ending	$ 64,470	$ 4,565	$ 69,035

PENSION TRUST FUNDS

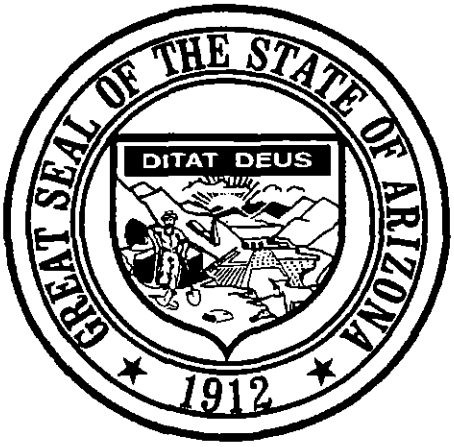
Pension Trust Funds account for transactions of the four public employee retirement systems for which the State acts as trustee.

The Arizona State Retirement System is a cost-sharing, multiple-employer pension system that benefits employees of public schools, the State and its political subdivisions.

The Public Safety Personnel Retirement System is an agent multiple-employer pension system that benefits fire fighters and police officers employed by the State and its political subdivisions.

The Elected Officials' Retirement Plan is a cost-sharing, multiple-employer pension plan that benefits all elected State and county officials and judges and certain elected city officials.

The Corrections Officer Retirement Plan is an agent multiple-employer pension plan that benefits town, city and county detention officers and certain employees of the State's Department of Corrections and Department of Juvenile Corrections.


GREAT SEAL OF THE STATE OF ARIZONA
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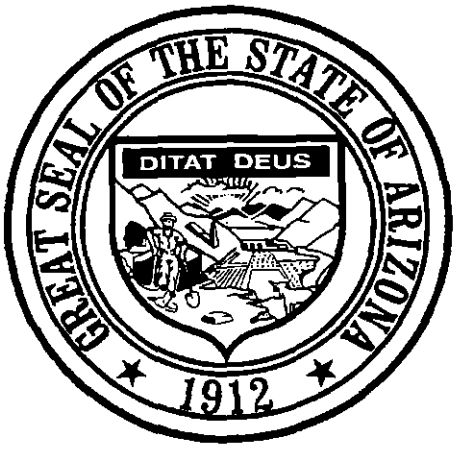
STATE OF ARIZONA
COMBINING STATEMENT OF PLAN NET ASSETS
PENSION TRUST FUNDS
JUNE 30, 2000
(Expressed in Thousands)

	STATE RETIREMENT	PUBLIC SAFETY	ELECTED OFFICIALS'	CORRECTIONS OFFICER	TOTAL
ASSETS					
Cash and cash equivalents	$ 88,688	$ -	$ -	$ -	$ 88,688
Receivables:					
Accrued interest and dividends	63,482	26,128	2,216	3,681	95,507
Securities sold	104,065	-	-	-	104,065
Forward contract receivable	50,717	-	-	-	50,717
Contributions	29,329	5,183	111	944	35,567
Court fees	-	-	317	-	317
Miscellaneous receivables	1,711	-	-	-	1,711
Total receivables	249,304	31,311	2,644	4,625	287,884
Investments, at fair value:					
Temporary investments	1,832,210	-	-	-	1,832,210
United States Government securities	3,823,679	495,366	40,488	71,210	4,430,743
Corporate bonds	2,516,016	528,330	38,025	75,241	3,157,612
Corporate notes	-	48,931	2,995	8,988	60,914
Corporate stocks	16,982,232	4,149,829	310,310	626,591	22,068,962
Valley Ventures	24	-	-	-	24
Real estate mortgages and contracts	233,092	-	-	-	233,092
Collateral investment pool	-	1,272,699	99,489	188,485	1,560,673
Other investments	-	122,095	6,826	19,953	148,874
Money market fund	-	2,209	956	1,158	4,323
Total investments	25,387,253	6,619,459	499,089	991,626	33,497,427
Property and equipment, net of accumulated depreciation	-	480	-	-	480
Total Assets	25,725,245	6,651,250	501,733	996,251	33,874,479
LIABILITIES					
Accounts payable	67,944	-	-	-	67,944
Obligation under securities loan agreements	1,299,485	1,272,699	99,489	188,485	2,860,158
Other	432,211	-	-	-	432,211
Total Liabilities	1,799,640	1,272,699	99,489	188,485	3,360,313
Net Assets Held in Trust for Pension Benefits	$ 23,925,605	$ 5,378,551	$ 402,244	$ 807,766	$ 30,514,166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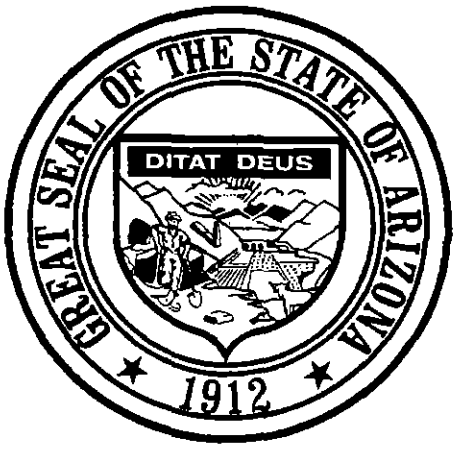
INVESTMENT TRUST FUNDS

Investment Trust Funds account for assets held by the State in a trustee capacity for local governments and political subdivisions, of the State of Arizona, which have elected to invest idle cash with the State Treasurer's Office. The Treasurer acts as trustee for the deposits made by participants.

Central Arizona Water Conservation District is an Investment Trust Account composed of corporate stock, corporate debt and United States Government securities. The Central Arizona Water Conservation District is the only participant in the account.

Local Government Investment Pool is an Investment Trust Account composed of corporate stock, corporate debt, negotiable certificates of deposit and United States Government securities.

Local Government Investment Pool-Government is an Investment Trust Account composed of repurchase agreements and United States Government securities. All investments of the fund are backed by the full faith and credit of the United States Government.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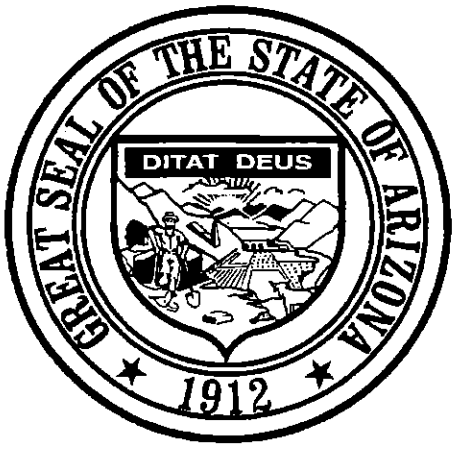
STATE OF ARIZONA
COMBINING STATEMENT OF NET ASSETS
INVESTMENT TRUST FUNDS
JUNE 30, 2000
(Expressed in Thousands)

	CENTRAL ARIZONA WATER CONSERVATION DISTRICT	LOCAL GOVERNMENT INVESTMENT POOL	LOCAL GOVERNMENT INVESTMENT POOL-GOVERNMENT	TOTAL
ASSETS				
Investments in securities	$ 189,072	$ 2,396,699	$ 237,675	$ 2,823,446
Accrued interest and other receivables	1,249	15,824	740	17,813
Due from other Funds	756	16,724	1,360	18,840
Total Assets	191,077	2,429,247	239,775	2,860,099
LIABILITIES				
Distributions payable	1,118	13,720	573	15,411
Total Liabilities	1,118	13,720	573	15,411
Net assets held in trust	$ 189,959	$ 2,415,527	$ 239,202	$ 2,844,688
Net assets consist of:				
Participant shares outstanding	189,959	2,415,527	239,202	2,844,688
Participants' net asset value (net assets/shares outstanding)	$ 1.00	$ 1.00	$ 1.00	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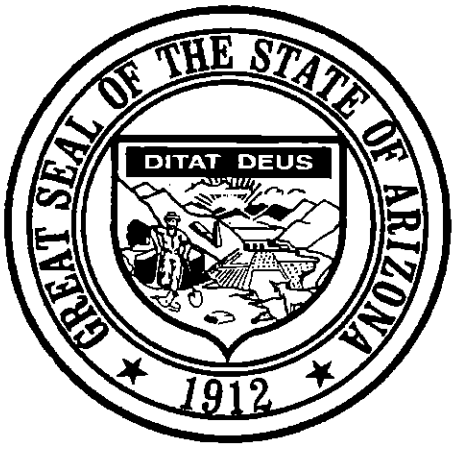
AGENCY FUNDS

Agency Funds account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the State, where the State acts as an agent for distribution to other governmental units or organizations.

The Treasurer Custodial Securities Fund consists of securities held by the State Treasurer for various State agencies as required by statute.

The Other Treasurer Funds account for other various deposits made with the State Treasurer for investment purposes.

The Other Agency Fund consists of various funds where the State acts as an agent for distribution to other governmental units or organizations.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STATE OF ARIZONA
COMBINING BALANCE SHEET
AGENCY FUNDS
JUNE 30, 2000
(Expressed in Thousands)

	TREASURER CUSTODIAL SECURITIES	OTHER TREASURER FUNDS	OTHER	TOTAL
ASSETS				
Cash and investments	$ 2,969,114	$ 47,986	$ 119,797	$ 3,136,897
Receivables, net of allowances:				
Interest	-	134	334	468
Other	-	-	482	482
Due from U.S. Government	-	-	3,073	3,073
Due from local government	-	-	40	40
Total Assets	$ 2,969,114	$ 48,120	$ 123,726	$ 3,140,960
LIABILITIES				
Accounts payable	$ -	$ 64	$ 4,572	$ 4,636
Accrued liabilities	-	-	20,973	20,973
Due to local governments	-	15,043	9,485	24,528
Due to others	-	3,406	62,356	65,762
Due to other Funds	-	29,345	2,949	32,294
Other	2,969,114	262	23,391	2,992,767
Total Liabilities	$ 2,969,114	$ 48,120	$ 123,726	$ 3,140,960

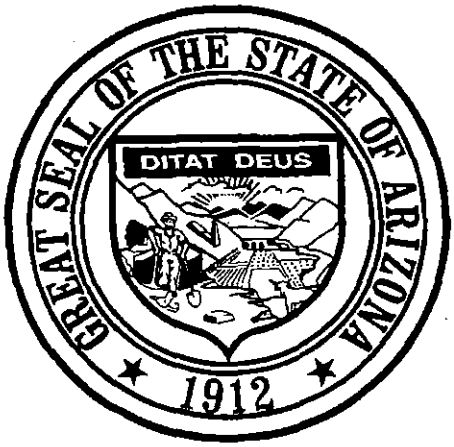
STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	RESTATED BALANCE JULY 1, 1999	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2000
TREASURER CUSTODIAL SECURITIES				
Assets:				
Cash and investments	$ 3,007,396	$ 382,150	$ 420,432	$ 2,969,114
Total Assets	$ 3,007,396	$ 382,150	$ 420,432	$ 2,969,114
Liabilities:				
Other liabilities	$ 3,007,396	$ 382,150	$ 420,432	$ 2,969,114
Total Liabilities	$ 3,007,396	$ 382,150	$ 420,432	$ 2,969,114
OTHER TREASURER FUNDS				
Assets:				
Cash and investments	$ 44,331	$ 570,473	$ 566,818	$ 47,986
Interest receivable	76	134	76	134
Total Assets	$ 44,407	$ 570,607	$ 566,894	$ 48,120
Liabilities:				
Accounts payable	$ 553	$ 53,646	$ 54,135	$ 64
Due to local governments	20,572	496,022	501,551	15,043
Due to others	3,624	3,485	3,703	3,406
Due to other Funds	19,528	29,345	19,528	29,345
Other liabilities	130	238	106	262
Total Liabilities	$ 44,407	$ 582,736	$ 579,023	$ 48,120

(Continued)

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	RESTATED BALANCE JULY 1, 1999	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2000
OTHER AGENCY FUNDS				
Assets:				
Cash and investments	$ 99,736	$ 211,171	$ 191,110	$ 119,797
Interest receivable	109	362	137	334
Other receivables	555	475	548	482
Due from U.S. Government	1,866	15,541	14,334	3,073
Due from local government	377	1,634	1,971	40
Total Assets	$ 102,643	$ 229,183	$ 208,100	$ 123,726
Liabilities:				
Accounts payable	$ 5,772	$ 49,300	$ 50,500	$ 4,572
Accrued liabilities	6,682	20,973	6,682	20,973
Due to local governments	8,443	1,801	759	9,485
Due to others	57,910	64,713	60,267	62,356
Due to other Funds	4,147	2,954	4,152	2,949
Other liabilities	19,689	44,966	41,264	23,391
Total Liabilities	$ 102,643	$ 184,707	$ 163,624	$ 123,726
COMBINED TOTAL ALL AGENCY FUNDS				
Assets:				
Cash and investments	$ 3,151,463	$ 1,163,794	$ 1,178,360	$ 3,136,897
Interest receivable	185	496	213	468
Other receivables	555	475	548	482
Due from U.S. Government	1,866	15,541	14,334	3,073
Due from local government	377	1,634	1,971	40
Total Assets	$ 3,154,446	$ 1,181,940	$ 1,195,426	$ 3,140,960
Liabilities:				
Accounts payable	$ 6,325	$ 102,946	$ 104,635	$ 4,636
Accrued liabilities	6,682	20,973	6,682	20,973
Due to local governments	29,015	497,823	502,310	24,528
Due to others	61,534	68,198	63,970	65,762
Due to other Funds	23,675	32,299	23,680	32,294
Other liabilities	3,027,215	427,354	461,802	2,992,767
Total Liabilities	$ 3,154,446	$ 1,149,593	$ 1,163,079	$ 3,140,960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GENERAL FIXED ASSETS ACCOUNT GROUP

Fixed assets used in Governmental and Expendable Trust Fund operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in the individual funds. Fixed assets related to Proprietary Funds, Non-Expendable Trust Funds, Pension Trust Funds, University Funds and the Component Units are accounted for in those funds.

STATE OF ARIZONA
SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION
JUNE 30, 2000
(Expressed in Thousands)

FUNCTION	LAND	BUILDINGS AND IMPROVEMENTS	OTHER IMPROVEMENTS	FURNITURE, VEHICLES, AND EQUIPMENT	TOTAL
General government	$ 16,755	$ 291,195	$ 1,233	$ 31,753	$ 340,936
Health and welfare	7,413	59,843	4,220	82,173	153,649
Inspection and regulation	-	70	-	18,248	18,318
Education	3,290	7,436	-	4,996	15,722
Protection and safety	6,725	488,644	36,155	143,939	675,463
Transportation	13,499	133,199	28,973	38,855	214,526
Natural resources	41,467	47,232	52,963	27,627	169,289
Total General Fixed Assets by Function	89,149	1,027,619	123,544	347,591	1,587,903
Construction in progress	-	225,900	-	-	225,900
Total General Fixed Assets	$ 89,149	$ 1,253,519	$ 123,544	$ 347,591	$ 1,813,803

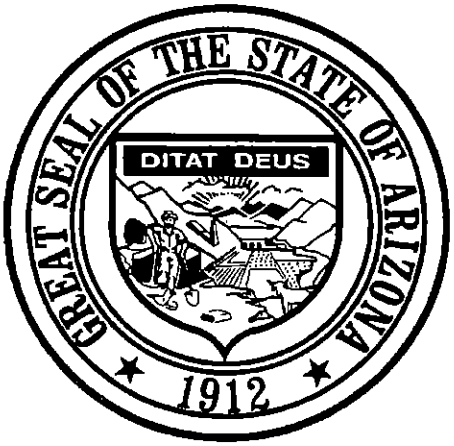
STATE OF ARIZONA
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

FUNCTION	BALANCE JULY 1, 1999	ADJUSTMENTS	ADDITIONS	DELETIONS	NET INTRA-STATE TRANSFERS	BALANCE JUNE 30, 2000
General government	$ 421,873	$ 381	$ 35,285	$ 1,711	$ (114,892)	$ 340,936
Health and welfare	159,595	(436)	12,081	17,591	-	153,649
Inspection and regulation	16,001	997	2,904	1,584	-	18,318
Education	17,168	(1,059)	219	606	-	15,722
Protection and safety	535,298	(14,028)	43,926	2,028	112,295	675,463
Transportation	191,511	-	31,341	8,326	-	214,526
Natural resources	134,095	22,869	12,221	2,493	2,597	169,289
Total General Fixed Assets by Function	1,475,541	8,724	137,977	34,339	-	1,587,903
Construction in progress	273,171	(20,250)	23,437	50,458	-	225,900
Total General Fixed Assets	$ 1,748,712	$ (11,526)	$ 161,414	$ 84,797	$ -	$ 1,813,803

The July 1, 1999 balances were adjusted as a result of previously unreported and misclassified fixed assets.

STATE OF ARIZONA
SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE
JUNE 30, 2000
(Expressed in Thousands)

GENERAL FIXED ASSETS		
Land	$	89,149
Buildings and improvements		1,027,619
Other improvements		123,544
Furniture, vehicles, and equipment		347,591
Construction in progress		225,900
Total General Fixed Assets	$	1,813,803
INVESTMENT IN GENERAL FIXED ASSETS FROM:		
General Fund	$	603,262
Construction in progress		32,795
Special Revenue Funds:		
General Government		5,387
Health and Welfare		5,496
Inspection and Regulation		10,079
Education		107
Protection and Safety		12,085
Transportation		214,525
Natural Resources		91,727
Construction in progress		993
Capital Projects Funds:		
Certificates of Participation Financed		279,023
General Fund Financed		15,420
Construction in progress		107
Special Revenue Funds Financed		341,996
Construction in progress		192,004
Expendable Trust Funds:		
Employee Benefits Fund		25
Energy Conservation Fund		40
Donations		7,536
Other Funds		1,196
Total Investment in General Fixed Assets	$	1,813,803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UNIVERSITY FUNDS

The University Funds account for the transactions of the State's three universities.

Current Operating Funds account for unrestricted resources over which the governing board retains full control in achieving the institutions' purposes and restricted resources which may be utilized only in accordance with externally restricted purposes.

Loan Funds account for loans made to assist students in financing their education.

Endowment and Similar Funds account for private gifts which specify income purpose and principal protection.

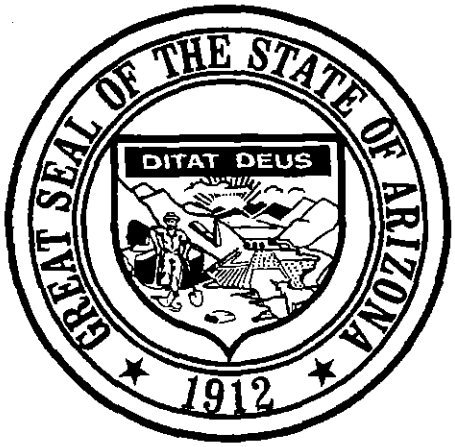
Agency Funds account for assets for which the university acts in a custodial manner.

Plant Funds account for institutional property investment, acquisition, renewal, replacement and debt service.

STATE OF ARIZONA
COMBINING BALANCE SHEET
UNIVERSITY FUNDS
JUNE 30, 2000
(Expressed in Thousands)

	CURRENT OPERATING FUNDS				
	UNRESTRICTED				
	GENERAL OPERATING FUNDS	DESIGNATED FUNDS	AUXILIARY ENTERPRISES FUNDS	RESTRICTED FUNDS	TOTAL CURRENT OPERATING FUNDS
ASSETS					
Cash and investments	$ 42,954	$ 150,315	$ 48,633	$ 31,935	$ 273,837
Cash held by trustee	-	-	-	551	551
Receivables, net of allowances	703	8,069	12,832	50,121	71,725
Due from other Funds	-	4,728	-	-	4,728
Inventories, at cost	25	355	14,047	-	14,427
Other	19	5,019	510	79	5,627
Fixed assets:					
Property and equipment	-	-	-	209	209
Total Assets	$ 43,701	$ 168,486	$ 76,022	$ 82,895	$ 371,104
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 5,985	$ 4,625	$ 6,108	$ 5,407	$ 22,125
Accrued liabilities	6,570	1,585	1,100	3,938	13,193
Due to other Funds	-	-	2,341	2,477	4,818
Deferred revenue	6,729	21,125	15,798	7,523	51,175
Revenue bonds	-	-	-	-	-
Certificates of participation	-	-	-	-	-
Leases and installment purchases	-	-	-	-	-
Other	-	131	754	-	885
Total Liabilities	19,284	27,466	26,101	19,345	92,196
Fund Balances:					
Restricted	-	14,000	-	63,550	77,550
Designated	24,417	127,020	49,921	-	201,358
Net investment in fixed assets	-	-	-	-	-
Total Fund Balances	24,417	141,020	49,921	63,550	278,908
Total Liabilities and Fund Balances	$ 43,701	$ 168,486	$ 76,022	$ 82,895	$ 371,104

	NON-OPERATING FUNDS				
	LOAN FUNDS	ENDOWMENT AND SIMILAR FUNDS	AGENCY FUNDS	PLANT FUNDS	TOTAL ALL FUNDS
	$ 3,642	$ 203,576	$ 44,168	$ 157,684	$ 682,907
	-	17,295	-	50,144	67,990
	32,218	1,301	2,458	7,230	114,932
	-	-	-	90	4,818
	-	-	75	-	14,502
	-	-	30	-	5,657
	-	3,274	-	3,218,419	3,221,902
	$ 35,860	$ 225,446	$ 46,731	$ 3,433,567	$ 4,112,708
	$ 7	$ 50	$ 2,182	$ 20,632	$ 44,996
	2	-	4	-	13,199
	-	-	-	-	4,818
	4	5	-	69,675	120,859
	-	-	-	567,659	567,659
	-	-	-	182,099	182,099
	-	-	-	22,360	22,360
	-	-	44,545	3,651	49,081
	13	55	46,731	866,076	1,005,071
	35,567	176,876	-	33,112	323,105
	280	48,515	-	52,423	302,576
	-	-	-	2,481,956	2,481,956
	35,847	225,391	-	2,567,491	3,107,637
	$ 35,860	$ 225,446	$ 46,731	$ 3,433,567	$ 4,112,708


GREAT SEAL OF THE STATE OF ARIZONA
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COMPONENT UNITS

The Component Units include proprietary and fiduciary type organizations which are legally separate from the State but are considered part of the reporting entity because they are financially accountable to the State, and/or the State is able to impose its will on the organization.

The State Compensation Fund was established by the Legislature for the purpose of insuring employers against liability for workers' compensation; occupational disease compensation; and medical, surgical and hospital benefits.

The University Medical Center is a 365-bed, general acute-care teaching facility in Tucson, Arizona. It is the primary teaching hospital for the College of Medicine, College of Nursing and the College of Pharmacy for the University of Arizona.

The Arizona Power Authority purchases the State's allocation of Hoover power and resells it to Arizona entities that are eligible purchasers under federal and state law. Hoover power is produced by the Bureau of Reclamation at the federally-owned Boulder Canyon Project hydropower plant, located near Las Vegas, Nevada.

Water Infrastructure Finance Authority (WIFA) is authorized to administer the Clean Water Revolving Fund and the Drinking Water Revolving Fund. The Clean Water Revolving Fund was created pursuant to the Federal Water Pollution Control Act of 1972, as amended by the Water Quality Act of 1987 (Clean Water Act) which required the State to establish the Clean Water Revolving Fund to accept federal capitalization grants for publicly owned wastewater treatment projects. The WIFA has entered into an agreement this year with the Environmental Protection Agency to administer the Drinking Water Revolving Fund pursuant to the Safe Drinking Water Act.

STATE OF ARIZONA
COMBINING BALANCE SHEET
PROPRIETARY AND FIDUCIARY FUND TYPES
COMPONENT UNITS
JUNE 30, 2000
(Expressed in Thousands)

	PROPRIETARY FUND TYPE			FIDUCIARY FUND TYPE	
	STATE COMPENSATION FUND	UNIVERSITY MEDICAL CENTER	ARIZONA POWER AUTHORITY	WATER INFRASTRUCTURE FINANCE AUTHORITY	TOTAL
ASSETS					
Current Assets:					
Cash and investments	$ 310,165	$ 44,508	$ 11,235	$ 42,178	$ 408,086
Receivables, net of allowances:					
Interest	17,534	-	279	3,159	20,972
Other	24,345	40,567	2,327	208	67,447
Reinsurance recoverables	46,243	-	-	-	46,243
Inventories, at cost	-	8,309	-	-	8,309
Other	6,129	1,698	2,199	-	10,026
Total Current Assets	404,416	95,082	16,040	45,545	561,083
Long-term Assets:					
Investments	2,077,386	-	-	80,200	2,157,586
Investments held by trustee	-	17,561	8,108	7,883	33,552
Receivables, net of allowances	-	-	-	162,130	162,130
Other	-	5,809	52,755	2,535	61,099
Fixed assets:					
Property and equipment	56,893	259,902	1,193	-	317,988
Less: accumulated depreciation	(23,392)	(149,901)	(966)	-	(174,259)
Total Long-term Assets	2,110,887	133,371	61,090	252,748	2,558,096
Total Assets	$ 2,515,303	$ 228,453	$ 77,130	$ 298,293	$ 3,119,179
LIABILITIES AND FUND EQUITY					
Current Liabilities:					
Accounts payable	$ -	$ 11,478	$ 1,071	$ 53	$ 12,602
Accrued liabilities	13,313	7,462	912	2,744	24,431
Obligations under securities loan agreements	275,357	-	-	-	275,357
Deferred revenue	34,879	-	-	1,764	36,643
Current portion of long-term debt	-	2,420	-	-	2,420
Other	-	14,070	3,591	-	17,661
Total Current Liabilities	323,549	35,430	5,574	4,561	369,114
Long-term Liabilities:					
Accrued compensated absences	-	3,699	-	-	3,699
Accrued insurance losses	1,754,165	6,967	-	-	1,761,132
Long-term debt:					
Revenue bonds	-	72,552	67,516	141,654	281,722
NCCI assigned risk pool liability	23,505	-	-	-	23,505
Policyholders' dividends	8,840	-	-	-	8,840
Other	-	9,439	-	151	9,590
Total Long-term Liabilities	1,786,510	92,657	67,516	141,805	2,088,488
Total Liabilities	2,110,059	128,087	73,090	146,366	2,457,602
Fund Equity:					
Policyholders' surplus	405,244	-	-	-	405,244
Contributed capital	-	-	9	135,047	135,056
Retained earnings/Fund balances					
Reserved	-	1,289	5,193	-	6,482
Unreserved	-	99,077	(1,162)	16,880	114,795
Total Fund Equity	405,244	100,366	4,040	151,927	661,577
Total Liabilities and Fund Equity	$ 2,515,303	$ 228,453	$ 77,130	$ 298,293	$ 3,119,179

STATE OF ARIZONA

COMBINING STATEMENT OF REVENUES,

EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES

PROPRIETARY AND FIDUCIARY FUND TYPES COMPONENT UNITS

FOR THE YEAR ENDED JUNE 30, 2000

(Expressed in Thousands)

	PROPRIETARY FUND TYPE		FIDCUIARY FUND TYPE	
	UNIVERSITY MEDICAL CENTER	ARIZONA POWER AUTHORITY	WATER INFRASTRUCTURE FINANCE AUTHORITY	TOTAL
OPERATING REVENUES				
Sales and charges for services	$ 238,239	$ 21,865	$ -	$ 260,104
Intergovernmental	-	-	1,595	1,595
Earnings on investments	4,735	-	4,748	9,483
Other	16,322	-	1,091	17,413
Total Operating Revenues	259,296	21,865	7,434	288,595
OPERATING EXPENSES				
Cost of sales and benefits	50,423	21,033	-	71,456
Personal services	111,036	1,154	657	112,847
Contractual services	35,398	-	312	35,710
Depreciation and amortization	17,424	42	-	17,466
Insurance	2,401	-	-	2,401
Other	39,237	83	744	40,064
Total Operating Expenses	255,919	22,312	1,713	279,944
Operating Income (Loss)	3,377	(447)	5,721	8,651
NON-OPERATING REVENUES (EXPENSES)				
Interest income	-	1,235	7,017	8,252
Interest expense	-	(906)	(7,351)	(8,257)
Other	160	7	-	167
Net Non-operating Income (Loss)	160	336	(334)	162
Income (Loss) Before Operating Transfers	3,537	(111)	5,387	8,813
OPERATING TRANSFERS				
Operating transfers out to primary government	-	(19)	-	(19)
Total Operating Transfers	-	(19)	-	(19)
Net Income (Loss)	3,537	(130)	5,387	8,794
Beginning Retained Earnings/Fund Balances	96,829	4,161	11,493	112,483
Ending Retained Earnings/Fund Balances	$ 100,366	$ 4,031	$ 16,880	$ 121,277

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY AND FIDUCIARY FUND TYPES COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	PROPRIETARY FUND TYPE		FIDUCIARY FUND TYPE	
	UNIVERSITY MEDICAL CENTER	ARIZONA POWER AUTHORITY	WATER INFRASTRUCTURE FINANCE AUTHORITY	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	$ 3,377	$ (447)	$ 5,721	$ 8,651
Adjustments to reconcile to net cash provided by operating activities:				
Depreciation and amortization	17,424	42	-	17,466
Total Adjustments	17,424	42	-	17,466
Changes in assets and liabilities:				
(Increase) decrease in receivables, net of allowances	(1,301)	(43)	432	(912)
(Increase) in inventories, at cost	(758)	-	-	(758)
(Increase) in other current assets	-	(212)	-	(212)
(Increase) in other long-term assets	(305)	-	-	(305)
Increase (decrease) in accounts payable	(644)	553	53	(38)
(Decrease) in accrued liabilities	(2,025)	-	-	(2,025)
(Decrease) in deferred revenue	-	-	(157)	(157)
(Decrease) in other current liabilities	(3,679)	(291)	-	(3,970)
Increase in accrued compensated absences	279	-	-	279
Increase in accrued insurance losses	254	-	-	254
(Decrease) in other long-term liabilities	(2,578)	-	-	(2,578)
Net Changes in Assets and Liabilities	(10,757)	7	328	(10,422)
Net Cash Provided (Used) by Operating Activities	10,044	(398)	6,049	15,695
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Interest expense	-	(906)	-	(906)
Other non-operating revenue	160	7	-	167
Operating transfers out to primary government	-	(19)	-	(19)
Bond proceeds	-	-	64,000	64,000
Retirement of revenue bonds principal	-	-	(67,175)	(67,175)
Interest payments under bonds	-	-	(8,286)	(8,286)
Deferred bond costs	-	-	(681)	(681)
Deferred loss on bond retirement	-	-	(1,570)	(1,570)
Draws under capital grant facility	-	-	19,639	19,639
Increase in cash advances for Hoover Uprating Project	-	(211)	-	(211)
Net Cash Provided (Used) by Non-capital Financing Activities	160	(1,129)	5,927	4,958
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of fixed assets	(8,307)	(26)	-	(8,333)
Retirement of revenue bonds principal	(2,106)	-	-	(2,106)
Proceeds in funds received by trustee	-	27	-	27
Discount on bonds issued / defeased	-	83	-	83
Net Cash Provided (Used) by Capital and Related Financing Activities	(10,413)	84	-	(10,329)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	-	-	15,097	15,097
Purchase of investments	-	-	(21,228)	(21,228)
Interest and dividends on investments	-	1,235	6,234	7,469
Change in long-term funds held by trustee	346	-	-	346
Net Cash Provided by Investing Activities	346	1,235	103	1,684
Net Increase (Decrease) in Cash and Cash Equivalents	137	(208)	12,079	12,008
Cash and Cash Equivalents - Beginning	44,371	11,443	37,982	93,796
Cash and Cash Equivalents - Ending	$ 44,508	$ 11,235	$ 50,061	$ 105,804

Statistical Section

(Not covered by the Independent Auditors' Report)

OFF-HIGHWAY VEHICLE PROGRAM

The purpose of the Arizona Game and Fish Department's Off-Highway Vehicle Safety and Habitat Protection Program is to promote safe, responsible and ethical off-highway vehicle use while emphasizing protection of environmental resources.

Off-highway vehicle (OHV) recreation use on public lands has increased significantly. Since 1977, the increased use of OHVs has out-paced Arizona's population growth. OHV use has more than doubled, while the population has increased by slightly more than 65 percent. A study completed in 1990 estimated the number of OHVs (4 × 4s, Buggies/Sandrails, ATVs, Motorcycles and Snowmobiles) in Arizona, to be over 550,000. The use of off-highway vehicles is a legitimate source of recreation, however it is also necessary to recognize and minimize OHV impacts to wildlife resources and habitat.

You can minimize impacts on wildlife by staying on designated roads and trails or in special use areas. Wildlife will avoid or adapt to trail corridors.

STATE OF ARIZONA
REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
AND EXPENDABLE TRUST FUNDS
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)

SOURCE	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Taxes:										
Sales	$3,854,075	$3,508,327	$3,210,019	$3,060,258	$2,868,455	$2,681,756	$2,497,763	$2,254,022	$2,092,390	$1,949,115
Income	2,820,067	2,648,271	2,460,630	2,289,563	1,933,554	1,904,250	1,728,225	1,581,287	1,447,437	1,286,995
Motor vehicle and fuel	1,360,117	1,412,052	1,332,059	1,287,636	1,196,683	972,276	912,337	858,315	803,133	798,950
Property	50,490	52,785	55,354	51,185	198,035	193,625	201,011	201,758	170,773	169,356
Unemployment	177,607	191,327	223,517	225,102	239,481	235,800	200,742	124,568	128,068	119,007
Other	491,379	493,760	443,999	487,921	445,526	390,564	337,480	298,841	297,648	271,034
Intergovernmental	3,987,414	3,758,126	3,362,720	3,444,011	3,211,114	3,087,353	2,629,549	2,345,782	1,977,665	1,519,030
Licenses, fees, and permits	204,976	189,657	175,335	194,410	173,311	159,890	140,083	134,377	121,039	105,390
Earnings on investments	232,849	205,875	217,620	179,276	152,795	118,767	69,552	62,639	90,249	106,448
Sales and charges for services	58,203	47,910	56,662	28,111	24,096	13,105	15,082	11,827	20,054	11,192
Fines, forfeitures, and penalties	80,466	80,210	63,425	57,000	56,702	59,271	38,782	45,260	40,085	32,805
Other	323,888	191,446	169,685	215,337	205,691	165,231	159,500	139,508	124,020	100,522
Total Revenues	$13,641,531	$12,779,746	$11,771,025	$11,519,810	$10,705,443	$9,981,888	$8,930,106	$8,058,184	$7,312,561	$6,469,844

STATE OF ARIZONA
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
AND EXPENDABLE TRUST FUNDS
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)

FUNCTION	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
General government	$1,762,922	$1,605,452	$1,445,878	$1,336,854	$1,277,101	$1,189,562	$1,096,909	$954,950	$1,140,284	$778,453
Health and welfare	4,556,141	4,304,739	4,005,762	4,057,734	3,790,039	3,644,541	3,208,547	3,101,338	2,762,896	2,128,204
Inspection and regulation	117,034	109,154	102,032	98,445	95,675	91,954	95,374	87,253	74,665	74,402
Education	3,188,645	2,829,105	2,591,121	2,400,212	2,220,246	2,033,675	1,841,961	1,733,768	1,647,948	1,558,634
Protection and safety	845,645	777,636	687,696	627,322	571,325	533,166	476,346	406,068	398,539	388,114
Transportation	1,811,957	1,748,482	1,499,551	1,307,624	1,287,309	1,008,472	1,011,600	908,800	857,691	963,690
Natural resources	100,718	94,399	97,377	90,417	87,252	81,629	91,227	60,480	50,389	46,489
Capital outlay	302,790	320,621	237,698	250,144	253,753	192,337	232,654	221,565	246,506	301,610
Debt service:										
Principal	192,563	180,157	167,590	168,815	151,652	118,869	100,754	81,000	77,109	69,008
Interest and other fiscal charges	91,222	89,323	89,272	99,150	103,562	107,750	111,123	112,091	110,628	104,215
Total Expenditures	$12,969,637	$12,059,068	$10,923,977	$10,436,717	$9,837,914	$9,001,955	$8,266,495	$7,667,313	$7,366,655	$6,412,819

STATE OF ARIZONA
PROPERTY TAX LEVIES, COLLECTIONS, TAXABLE PROPERTY ASSESSED AND ESTIMATED ACTUAL VALUES AND PROPERTY TAX RATES
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)

Property Tax Year	Property Tax Levies	Collections Related to Property Tax Year	Taxable Property Assessed Value	Taxable Property Estimated Actual Value	Property Tax Rate
2000	$ 22,532	$ 22,532	$ 29,944,135	$ 31,837,412	0.13 %
1999	24,059	24,059	27,483,100	29,098,578	0.12
1998	27,129	27,129	25,682,910	26,793,103	0.10
1997	28,650	28,650	24,277,784	25,377,388	0.12
1996	32,759	28,828	22,811,159	23,333,678	0.14
1995	174,706	169,992	22,109,869	23,022,331	0.79
1994	176,972	171,251	21,688,439	22,179,318	0.82
1993	177,757	169,023	21,381,932	21,748,340	0.83
1992	182,012	171,592	21,532,550	21,934,247	0.85
1991	174,155	163,735	21,616,878	22,188,831	0.81

Source: Department of Revenue Annual Financial Report

STATE OF ARIZONA
HIGHWAY CONSTRUCTION REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenues	Debt Service Requirements			
		Principal	Interest	Total	Coverage
2000	$ 507,863	$ 66,745	$ 33,994	$ 100,739	5.0
1999	509,935	43,805	31,090	74,895	6.8
1998	468,240	43,405	33,266	76,671	6.1
1997	468,542	40,970	36,148	77,118	6.1
1996	429,825	38,430	38,770	77,200	5.6
1995	399,605	36,330	40,974	77,304	5.2
1994	385,844	33,425	44,037	77,462	5.0
1993	355,304	27,865	48,289	76,154	4.7
1992	339,807	26,185	39,957	66,142	5.1
1991	346,867	24,690	36,743	61,433	5.6

(1) For fiscal years 1991 through 1996, net of 7% distributed to cities with a population greater than 300,000 persons. For fiscal years 1997 and after, includes vehicle license tax revenues distributed directly to the State Highway Fund.

Source: The Arizona Department of Transportation
Annual Financial Report, Statistical Section

STATE OF ARIZONA
UNIVERSITY MEDICAL CENTER REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)

Fiscal Year	Gross Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
2000	$ 559,135	$ 534,258	$ 24,877	$ 2,280	$ 4,411	$ 6,691	3.72
1999	459,866	442,945	16,921	2,160	4,535	6,695	2.53
1998	410,887	385,354	25,533	2,045	4,649	6,694	3.81
1997	369,067	342,680	26,387	1,935	4,753	6,688	3.95
1996	380,743	356,271	24,472	1,485	4,836	6,321	3.87
1995	351,898	331,401	20,497	465	4,867	5,332	3.84
1994	318,181	301,139	17,042	445	4,896	5,341	3.19
1993	279,550	264,326	15,224	410	2,178	2,588	5.88
1992	253,038	239,050	13,988	395	4,109	4,504	3.11
1991	218,520	204,759	13,761	370	3,695	4,065	3.39

Source: University Medical Center

STATE OF ARIZONA
UNIVERSITY OF ARIZONA REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)

Fiscal Year	(1) Gross Revenues	(1) Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
2000	$ 674,330	$ 625,318	$ 49,012	$ 11,700	$ 13,081	$ 24,781	1.98
1999	650,201	580,292	69,909	10,714	14,869	25,583	2.73
1998	605,197	555,733	49,464	9,830	14,463	24,293	2.04
1997	577,412	535,178	42,234	9,360	14,935	24,295	1.74
1996	563,623	513,444	50,179	9,491	15,421	24,912	2.01
1995	537,891	486,926	50,965	8,147	15,334	23,481	2.17
1994	511,315	467,291	44,024	6,450	13,813	20,263	2.17
1993	487,387	448,834	38,553	6,567	14,651	21,218	1.82
1992	477,700	446,850	30,850	5,347	14,246	19,593	1.57
1991	470,936	440,834	30,102	3,695	16,139	19,834	1.52

(1) "Gross Revenues" and "Direct Operating Expenses" include Current Operating Unrestricted Funds only since these are the Funds that are pledged for debt service payments under the System Revenue Bond Indentures. Also excluded from expenses is interest, depreciation, and amortization.

Source: University of Arizona

STATE OF ARIZONA
ARIZONA STATE UNIVERSITY REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)

Fiscal Year	(1) Gross Revenues	Debt Service Requirements			
		Principal	Interest	Total	Coverage
2000	$ 247,792	$ 8,995	$ 11,766	$ 20,761	11.94
1999	232,699	9,640	12,245	21,885	10.63
1998	226,112	9,205	12,685	21,890	10.33
1997	210,519	8,780	13,113	21,893	9.62
1996	196,143	8,330	13,563	21,893	8.96
1995	183,167	7,750	14,144	21,894	8.37
1994	165,736	7,085	14,807	21,892	7.57
1993	149,895	5,865	13,815	19,680	7.62
1992	149,683	5,395	17,632	23,027	6.50
1991	148,679	4,665	16,966	21,631	6.87

(1) "Gross Revenues" consist of pledged revenues for the bond issue.

Source: Arizona State University

STATE OF ARIZONA
NORTHERN ARIZONA UNIVERSITY REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)

Fiscal Year	(1) Gross Revenues	Debt Service Requirements			
		Principal	Interest	Total	Coverage
2000	$ 75,852	$ 6,119	$ 5,488	$ 11,607	6.54
1999	73,467	6,075	5,810	11,885	6.18
1998	71,743	5,743	6,145	11,888	6.03
1997	70,036	5,677	4,859	10,536	6.65
1996	68,336	5,372	5,207	10,579	6.46
1995	61,526	4,675	5,525	10,200	6.03
1994	56,313	3,905	5,802	9,707	5.80
1993	50,734	3,415	5,718	9,133	5.56
1992	47,806	2,745	6,335	9,080	5.26
1991	44,813	2,210	6,766	8,976	4.99

(1) "Gross Revenues" includes only revenues that are pledged for debt service payments under the System Revenue Bond Indenture.

Source: Northern Arizona University

STATE OF ARIZONA
ECONOMIC INDICATORS
FOR THE LAST TEN YEARS

Calendar Year Ended December 31	(2) Unemployment Rate		(1) (2) Per Capita Personal Income	
	Arizona	U.S.	Arizona	U.S.
1999	4.40 %	4.20 %	$ N/A	$ N/A
1998	4.10	4.50	24,206	27,203
1997	4.60	5.00	22,839	25,924
1996	5.50	5.40	21,611	24,651
1995	5.10	5.60	20,634	23,562
1994	6.40	6.10	19,774	22,581
1993	6.30	6.80	18,756	21,718
1992	7.60	7.40	18,131	20,146
1991	5.80	6.80	17,563	19,201
1990	5.50	5.50	16,265	18,666

(1) Information for 1999 is not yet available.
(2) Prior years information has been restated to reflect most recent Statistical Information compiled by the Arizona Department of Economic Security and U.S. Department of Labor

Source: U.S. Department of Labor, Bureau of Labor Statistics
Arizona Department of Economic Security, Research Administration

STATE OF ARIZONA
MAJOR PRIVATE EMPLOYERS

Employer	Number of Employees
Honeywell	17,500
Motorola Inc.	15,700
Banner Health Systems	12,700
Wal-Mart Stores Inc.	11,730
The Kroger Company	9,837
Raytheon Missile Systems	9,800
American Express Co.	9,000
Bank One, Arizona	8,970
America West Airlines	8,767
Intel Corp.	8,150

Source: 2000 Republic 100, as of 12/31/99, Phoenix Newspapers Inc.

STATE OF ARIZONA
POPULATION BY COUNTY
FOR THE LAST TEN YEARS

COUNTY	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Maricopa	2,913,475	2,806,100	2,720,525	2,634,625	2,528,700	2,355,900	2,291,200	2,233,700	2,179,975	2,130,400
Pima	845,775	823,900	789,650	780,750	758,575	728,425	712,600	700,265	682,890	668,500
Pinal	165,400	157,675	150,375	144,150	139,000	132,225	127,225	122,600	119,650	116,800
Yavapai	155,900	148,500	142,075	134,600	130,300	123,500	118,400	114,110	111,100	108,500
Mohave	142,925	138,625	133,550	127,700	125,150	120,325	114,000	105,725	102,375	95,400
Yuma	139,650	135,200	129,275	124,950	121,975	119,650	116,450	112,825	110,225	108,100
Cochise	124,575	123,750	119,650	114,925	112,000	108,225	103,325	101,175	99,575	98,100
Coconino	122,825	121,625	117,475	113,475	110,750	107,500	104,700	101,350	99,150	96,900
Navajo	93,400	92,500	89,225	84,300	82,875	81,750	80,675	80,480	78,705	77,700
Apache	66,950	66,350	55,500	64,475	63,750	63,275	63,050	62,950	61,900	61,600
Gila	50,150	49,175	47,450	45,300	44,525	43,350	42,400	41,700	41,050	40,300
Graham	35,750	34,700	32,575	31,150	30,050	30,625	29,400	27,700	27,500	26,700
Greenlee	9,225	9,125	8,875	8,650	8,525	8,425	8,375	8,350	8,025	8,000
La Paz	19,250	19,000	17,625	18,200	16,700	16,075	15,550	14,825	14,550	13,900
Santa Cruz	39,100	37,800	36,350	35,050	34,275	32,400	31,525	31,050	30,400	29,900
Total	4,924,350	4,764,025	4,590,175	4,462,300	4,307,150	4,071,650	3,958,875	3,858,805	3,767,070	3,680,800

Source: Arizona Department of Economic Security

STATE OF ARIZONA
SCHEDULE OF BANK AND SAVINGS AND LOAN DEPOSITS
FOR THE LAST TEN FISCAL YEARS
(Expressed in Millions)

	Banks			Savings and Loans		
Fiscal Year	State	Federal	Total	State	(1) Federal	Total
1999	4,031	33,660	37,691	-	2,480	2,480
1998	3,331	32,844	36,175	-	2,138	2,138
1997	2,724	31,611	34,335	-	1,738	1,738
1996	9,746	23,912	33,658	22	1,289	1,311
1995	9,403	23,984	33,387	86	1,496	1,582
1994	10,357	21,014	31,371	79	1,109	1,188
1993	12,656	16,673	29,329	74	-	74
1992	13,775	16,015	29,790	63	-	63
1991	13,872	15,371	29,243	62	8,612	8,674
1990	10,628	15,359	25,987	1,136	5,861	6,997

(1) Missing information not available as only State Savings and Loans were required to report to the Arizona Banking Department (1990-1993 only).

(2) Fiscal years 1994-1999 were restated because of a change in the source. The State will now be utilizing information provided by the Federal Deposit Insurance Corporation as the Arizona Banking Department is no longer preparing a report on this information.

Source: Federal Deposit Insurance Corporation

STATE OF ARIZONA
ASSESSED VALUE OF NEW COMMERCIAL AND RESIDENTIAL CONSTRUCTION
FOR THE LAST TEN YEARS

Calendar Year Ended December 31	COMMERCIAL CONSTRUCTION Number of Permits Issued	Percent Change	Value (Expressed in Thousands)	Percent Change	RESIDENTIAL CONSTRUCTION Number of Permits Issued	Percent Change	Value (Expressed in Thousands)	Percent Change
1999	48,536	12.08 %	$ 4,107,783	(9.49) %	80,432	3.66 %	$ 7,263,997	8.83 %
1998	43,303	9.03	4,538,720	13.35	77,594	11.46	6,674,574	22.23
1997	39,717	9.69	4,004,022	1.41	69,613	5.17	5,460,787	11.19
1996	36,209	10.87	3,948,490	33.15	66,194	3.93	4,911,269	22.77
1995	32,659	8.04	2,965,456	30.15	63,688	(0.59)	4,000,436	(15.26)
1994	30,228	6.30	2,278,460	47.15	64,065	21.08	4,720,754	30.09
1993	28,436	1.67	1,548,420	3.57	52,910	6.31	3,628,710	15.71
1992	27,969	7.61	1,495,012	17.10	49,771	17.65	3,136,169	33.41
1991	25,992	(5.79)	1,276,745	(28.75)	42,303	8.44	2,350,747	22.89
1990	27,590	(4.87)	1,791,894	(2.00)	39,011	(6.04)	1,912,823	(2.92)

Source: College of Business, Arizona State University
Center for Business Research

STATE OF ARIZONA
PUBLIC SCHOOL ENROLLMENT - GRADES K-12
FOR THE LAST TEN ACADEMIC YEARS

Academic Year	Grades K-3	Grades 4-6	(1) Grades 7-9	(2) Grades 10-12	Total All Grades	High School Dropouts (3) Total	(4) Percent
1999-00	283,378	207,899	206,639	168,710	866,626	N/A	N/A
1998-99	278,746	199,017	198,083	157,455	833,301	31,844	12.20 %
1997-98	238,769	192,714	187,959	146,710	766,152	27,999	11.50
1996-97	264,925	188,959	187,220	145,723	786,827	30,294	12.80
1995-96	248,295	179,154	179,021	137,975	744,445	26,401	12.20
1994-95	243,608	177,402	176,942	135,932	733,884	25,369	12.10
1993-94	236,519	172,891	167,598	129,089	706,097	25,450	13.83
1992-93	245,292	175,886	171,648	134,698	727,524	24,248	12.40
1991-92	242,287	170,518	163,325	131,974	708,104	18,602	9.30
1990-91	236,542	161,859	149,347	123,982	671,730	15,279	8.79

(1) Includes ungraded elementary enrollment except 1997-98 and 1998-99.
(2) Includes ungraded secondary enrollment except 1997-98 and 1998-99.
(3) The high school dropout totals for Academic Year (AY) 1993-94 is based on a nine month school year. However, the total for AY 1992-93 is based on dropouts in a twelve month period, and the totals for AY 1990-91 and 1991-92 are also based on a twelve month period, less the number of students who re-enroll in September.
(4) Percent of total high school enrollment (Grades 9-12).

Source: Arizona Department of Education

STATE OF ARIZONA
AVERAGE STATE PRISON ADULT INMATE POPULATION
FOR THE LAST TEN FISCAL YEARS

Incarceration Institution	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91
Florence Complex	7,723	7,794	8,145	7,693	7,205	6,988	6,083	5,275	4,628	3,996
Lewis Complex	2,151	978	-	-	-	-	-	-	-	-
Perryville Complex	1,564	2,653	2,403	2,581	2,432	2,375	2,342	2,237	2,198	2,146
Phoenix Complex	1,325	1,256	1,804	1,275	1,407	1,331	1,267	1,176	1,051	916
Tucson Complex	3,898	4,016	4,071	3,966	3,677	3,483	2,888	2,692	2,455	2,370
Douglas Complex	2,190	2,183	2,214	1,944	2,214	2,053	2,064	1,987	1,962	1,940
Winslow Complex	1,768	1,635	1,671	1,736	1,741	1,522	1,353	1,290	1,295	1,179
Safford Complex	1,839	1,778	1,804	1,979	1,749	1,493	1,476	1,395	1,143	1,122
Yuma Complex	2,241	2,226	1,328	764	303	297	264	241	238	243
Other	292	240	-	-	-	-	-	-	-	-
Private Prisons	1,411	1,410	444	445	-	-	-	-	-	-
Total	26,402	26,169	23,884	22,383	20,728	19,542	17,737	16,293	14,970	13,912
Repeat Offenders Admitted	N/A	N/A	N/A	2,581	2,248	2,271	2,090	1,825	1,692	1,614

Source: Arizona Department of Corrections

STATE OF ARIZONA
PUBLIC HIGHER EDUCATION INSTITUTIONS'
FULL-TIME EQUIVALENT FALL ENROLLMENT
FOR THE LAST TEN YEARS

Institution	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Universities:										
Arizona State University	51,390	50,624	49,707	43,105	40,910	39,552	39,147	37,985	36,949	35,799
Northern Arizona University	19,964	19,981	19,940	19,618	17,193	17,592	16,875	16,387	16,377	15,987
University of Arizona	34,488	34,326	34,327	33,737	29,724	31,042	31,314	31,381	30,888	31,140
Total	105,842	104,931	103,974	96,460	87,827	88,186	87,336	85,753	84,214	82,926
Community Colleges:										
Cochise County	2,141	2,173	2,453	2,419	2,267	2,270	2,529	2,591	2,625	2,775
Coconino County	1,449	1,454	1,308	1,364	1,485	1,387	1,295	1,114	948	-
Graham County	2,828	2,762	2,623	2,300	2,279	2,235	2,094	2,196	2,387	2,168
Maricopa County	42,320	41,104	39,435	37,265	37,064	35,903	35,762	35,907	36,667	37,115
Mohave County	1,763	1,876	1,788	1,671	1,805	1,731	1,708	1,732	1,667	1,553
Navajo County	1,875	1,444	1,624	1,711	1,744	1,723	1,741	1,747	1,597	1,792
Pima County	12,656	13,281	13,061	12,898	12,526	13,080	13,128	13,416	13,939	13,424
Pinal County	2,220	2,213	2,011	2,032	2,071	2,138	2,042	2,154	2,284	2,191
Yavapai County	2,272	2,343	2,322	2,348	2,254	2,382	2,258	2,260	2,262	2,135
Yuma County	2,922	2,889	2,773	2,762	2,759	2,708	2,691	2,580	2,442	2,267
Total	72,446	71,539	69,398	66,770	66,254	65,557	65,248	65,697	66,818	65,420
Total All Institutions	178,288	176,470	173,372	163,230	154,081	153,743	152,584	151,450	151,032	148,346

Sources: Arizona Board of Regents
State Board of Directors for Community Colleges

ACKNOWLEDGMENTS

The Comprehensive Annual Financial Report was prepared by the Department of Administration, Financial Services Division, Financial Reporting Section:

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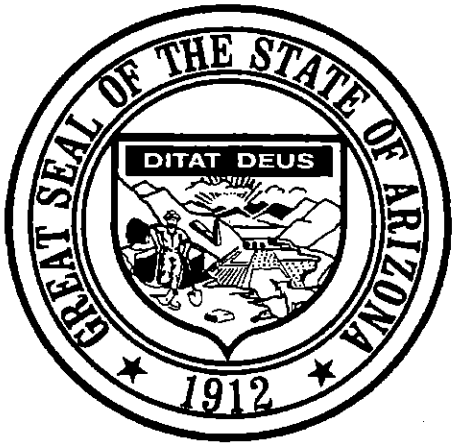
GREAT SEAL OF THE STATE OF ARIZONA
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WHERE TO FISH IN ARIZONA

The following list of waters are some of the most popular places where these fish can be found. Because water conditions change rapidly, please contact Game and Fish when planning your fishing trip.

Arctic Grayling: Lee Valley Reservoir

Bluegill (sunfish): Apache Lake, Roper Lake, Saguaro Lake, Lake Pleasant, Arivaca Lake and Lake Powell.

Carp: Lake Havasu, Lake Mohave, Lake Mead, Lake Powell, Roosevelt Lake, San Carlos Lake, Bartlett Lake, Lake Pleasant, Saguaro Lake, Canyon Lake and Apache Lake.

Crappie: Roosevelt Lake, Bartlett Lake, Lake Pleasant and San Carlos Lake.

Flathead Catfish: Colorado River at Yuma, Roosevelt Lake, Bartlett Lake, the Verde River at Camp Verde and below Horseshoe Lake, San Carlos Lake, and the Gila River at Safford.

Largemouth Bass: Alamo Lake, Bartlett Lake, Roosevelt Lake, Apache Lake, Canyon Lake, Saguaro Lake, San Carlos Lake, Lake Havasu, Lake Mead, Lake Powell and Mittry Lake.

Northern Pike: Stoneman Lake and Long Lake.

Smallmouth Bass: Lake Powell, Roosevelt Lake, Apache Lake and Black River.

Striped Bass: Lake Havasu, Lake Mohave, Lake Mead and Lake Powell.

Trout Streams: Lee's Ferry and the Colorado River in the Grand Canyon, Oak Creek near Sedona, West Clear Creek near Camp Verde, Canyon and Tonto Creeks near Payson, Little Colorado River near Greer, West and East Fork of the Black River, Salt River in Phoenix and the Verde River at Camp Verde.

Trout Lakes: Lake Mohave, Long Lake, Lynx Lake, J.D. Lake, Bear Canyon, Woods Canyon, Willow Springs, Black Canyon, Show Low Lake, Big Lake, Apache Lake, Blue Ridge Reservoir, Ashurst Lake, Nelson Lake, Knoll Lake, Chevelon Canyon Lake, Crescent Lake, River Reservoir, Becker Lake, White Horse Lake and Parker Canyon Lake.

Walleye: Canyon Lake, Apache Lake, Show Low Lake, Lake Mary and Saguaro Lake.

White Bass: Lake Pleasant.

Yellow Bass: Saguaro Lake, Canyon Lake and Apache Lake.